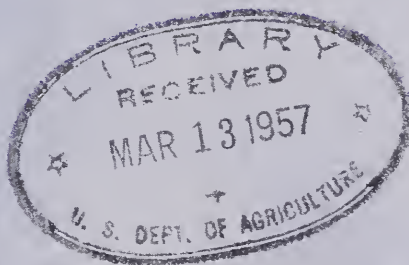


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Competitive Position
of United States
Farm Products Abroad
1957



✓ UNITED STATES DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service

January 1957

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FOREWORD

The volume of U. S. farm exports last fiscal year was the highest in 30 years and a further increase is expected this year.

At the same time, however, foreign production and exports of agricultural commodities are continuing at an accelerated pace. Exporting countries are pushing agricultural production widely. Major importing areas have been encouraging agricultural production to reduce their dependence on imports of food and raw materials, and to free more foreign exchange for industrialization programs.

This means that high U. S. exports of farm products are being attained in the face of more and aggressive foreign competition.

This publication, "The Competitive Position of United States Farm Products Abroad, 1957," reviews the export outlook and summarizes the problems and barriers that the U. S. currently faces in exporting its farm products. It is the second such annual report published by the Foreign Agricultural Service.

The first section of the publication explores U. S. competition on the commodity basis. The second section deals with the world by areas, and the third gives specific examples of competition that bear on the exporting of U. S. farm products.

This publication is one of four annual reports being published by the Foreign Agricultural Service. The others are:

1. Increasing U. S. Farm Exports, issued November 15, 1956. Highlights of world agricultural trade in graphic form, including 131 maps and charts.
2. The World Agricultural Situation, 1957, issued December 15, 1956. How much food and other agricultural products the world will have for consumption until the 1957-58 harvest is gathered.
3. Market Development and Promotion Activities in Foreign Markets, to be issued February 1, 1957. Summary of efforts to broaden foreign markets for U. S. farm products and to improve agricultural trade relations with foreign countries.

January 15, 1957.

COMPETITIVE POSITION OF U. S. FARM PRODUCTS ABROAD

INTRODUCTION

The expansion of agricultural production continues as a primary objective of many foreign countries and is considered important to nearly all the rest. Many governmental measures promote and foster this objective. The expansion is designed to (1) lessen the need for imports, or (2) to provide larger quantities for export. Thus many of these measures also cover the marketing and foreign trade aspects of agricultural commodities.

Whatever the purpose, all these measures tend to increase the competition which U. S. farm products face in foreign markets. They either lessen the need for U. S. products or make foreign markets less accessible even though an apparent need exists.

Nevertheless, for the short run at least, exports of U. S. farm products are at record levels. Several factors are favorable to the U. S. which have generally characterized recent years, namely: (1) world populations are rising faster than ever before; (2) the level of foreign economic activity continues to improve; (3) rising consumer incomes have permitted better diets; and (4) improvement in gold and dollar reserves abroad have been accompanied by liberalization of dollar imports in a number of cases.

Along with the favorable elements in this background, the U. S. has had abundant supplies available for export and has, as a matter of national policy, enacted the necessary legislation and taken other steps to expand foreign markets for agricultural commodities on a competitive basis. Thus, 1956-57 was indicated to be a year in which U. S. farm products could expect to find large markets abroad, even though foreign countries had numerous programs in operation to decrease their dependence on imports.

Added to this picture is the increased strain in the international situation which favors U. S. exports. Clearly, this is not the kind of foundation on which the U. S. or any other peaceful nations would want to build a market. Yet the problems of the Middle East, particularly the closing of the Suez Canal and the uprising behind the Iron Curtain, will be reflected in this year's export trade.

Volume-wise, the 1955-56 level of U. S. agricultural exports was the highest in 30 years. The prospects for 1956-57 are indicated to be 25 percent greater than last year. This would bring the volume of U. S. agricultural exports far above any previous year. But the short-run outlook, based on a number of circumstances now favoring this country, is no guarantee that present high levels will be maintained. Any lessening of foreign competition this year probably represents a temporary situation and not an indication of the trend.

World Trade in Farm Products Now More Competitive

The high purchasing power of agricultural products and the intense program for industrialization in all countries since the war has had a pronounced effect on world agricultural markets. This purchasing power on international markets for manufactured goods has averaged about 50 percent more than in 1938. This change in terms of trade has encouraged importing areas such as Western Europe, India, and Japan to encourage agricultural production by every means possible to cut down the amount of foreign exchange required to buy food and raw materials. At the same time it has encouraged agricultural exporting countries to push production to get more foreign exchange for the

purchase of machinery and other industrial goods needed for their industrialization program.

In the early postwar period, when food throughout the world was relatively short, foreign trade in agricultural products increased along with production. During 1950-52, agricultural trade was very stable but since 1952, trade in agricultural products competitive with U. S. production has expanded more rapidly than world production (Fig. 1). This reflects the intense efforts all exporting countries have made to market their surplus supplies. Many have subsidized extensively, others have expanded exports through bilateral agreements or barter, exchanging their agricultural products for industrial products of importing countries. Many have also disposed of their exportable supplies of those commodities whose prices are supported by price programs in the U. S., such as cotton, by under-cutting U. S. prices in world markets. These practices have been major factors in the accumulation of large stocks of exportable products in the U. S. in spite of the record volume of world trade.

Export Outlook and Foreign Competition by Commodities

Wheat.--Conditions this year favor increased exports of U. S. wheat, in line with the over-all optimistic export picture. World import requirements during 1956-57 may reach the all-time record of 1,066 million bushels set in the 1951-52 marketing year when Korean war buying was at its peak. U. S. exports of wheat and flour are expected to reach 415 million bushels (wheat equivalent) compared with 341 million bushels a year ago. This will result in a reduction in carry over stocks.

World wheat production this year is tentatively estimated at an all-time record of 7.5 billion bushels despite shorter crops in Europe and Australia. Over the long run, the effect of increasing production in both importing and exporting countries will make it increasingly difficult for the U. S. to maintain its present share of the world's import requirements. France, Sweden, Turkey, Uruguay, French North Africa, and Syria are among the smaller exporting countries which have indicated their intention of participating to a greater extent in the world's wheat market in the years ahead.

Rice.--Foreign rice production has been moving steadily upward since the end of World War II reaching an all-time record this year of 427 billion pounds. U. S. production, representing about 1 percent of the total, brought the world figure to 432 billion. In Asia, which accounts for about 93 percent of the world's crop, both acreage and production have been increasing. Despite the record world crop this year, world import demand in 1957 is expected to continue at last year's high level. Indications are that U.S. exports will be sufficiently in excess of the 2.1 billion pounds sold abroad in calendar 1956 to permit virtual liquidation of stocks in CCC inventory from the 1953, '54 and '55 crops.

A large part of the expanded shipments from the U. S. will be made under government programs. In the long run, the U. S. may find it increasingly difficult to maintain rice exports at the level of recent years. The already heavy

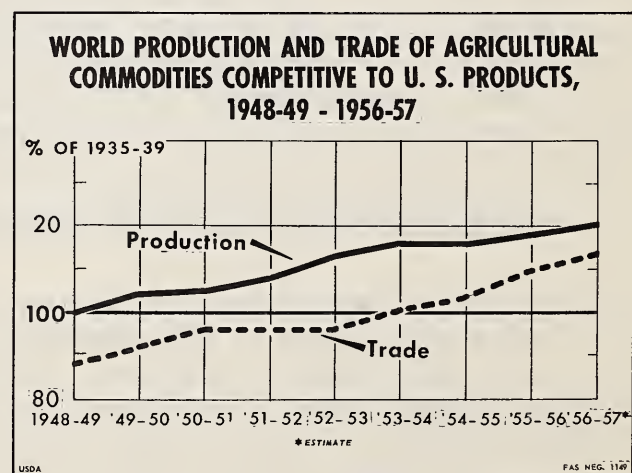


Fig. 1

dependence on government programs for competitive export pricing leaves the future considerably in doubt.

Feedgrains.--World production of major feedgrains (corn, oats and barley) reached an estimated all-time record of 330 million long tons this year. U. S. exports of these grains during 1956-57 are expected to be 25 to 30 percent under the 1955-56 record of 7.5 million long tons. The main reason for the expected decline is the reduced European demand as a result of heavy local supplies of low quality wheat this year, increased European plantings of feedgrains to replace winter-killed wheat, and an unprecedented exportable surplus of barley in France.

Also, large supplies of barley and oats are available in Canada and there is a possibility of increased corn exports from Argentina and the Union of South Africa. However, even if U. S. exports are reduced by 20 to 25 percent, they should still be higher than during any of the preceding five years. While there will be keen competition in filling the growing demand for feedgrains in world markets, especially if Argentine corn export availabilities get back to normal, the U. S. should be able to export from 4.5 to 5.0 million tons a year if prices are competitive.

Cotton.--U. S. cotton exports this year may exceed 6.5 million bales--some three times the 1955-56 export total. This will bring cotton exports to the highest level in 23 years. Last year U. S. prices were non-competitive in the world market and exports were the second lowest for any peacetime year since 1871-72. Thus, the outstanding feature of the current cotton year was a decision by the U. S. to place Commodity Credit Corporation stocks on the world market at prices competitive with foreign cotton.

Other favorable factors in the U. S. export outlook include shipments under the aid programs of the International Cooperation Administration and sales for foreign currency under Public Law 480. In addition, foreign free world production of cotton appears to have leveled off at the peak attained last year with no further increase in 1956-57.

The export picture for the U. S. is also affected by the Suez Canal crisis and by the fact that cotton consumption in the principal importing countries may rise nearly 1 million bales above last year's record level. However, for the longer run, the U. S. must face the fact that cotton is the most profitable cash crop of many foreign producing and exporting countries. The situation this year may represent temporary adjustments with a long run competitive problem yet to be solved.

Tobacco.--Exports of unmanufactured tobacco are expected to decline somewhat from last year's extremely high level of 578 million pounds. Higher prices for certain traditional U. S. export grades, larger stocks in several major importing countries and increased supplies in competing exporting countries all point to lower U. S. exports. The increased availability of competitive leaf tobacco in foreign markets is due to (1) increasing foreign production of cigarette leaf for export, particularly in the Central African Federation (Rhodesia, and Nyasaland), Canada, India, Turkey, and Greece; and (2) a larger proportion of dark leaf exports being supplied by Nyasaland, Dominican Republic, Colombia, Algeria, and Brazil.

Free World exports of tobacco reached a record high of 1.39 billion pounds in 1955. The U. S. share was 39 percent compared with 35 percent in 1954 and 41 percent prewar. The reduced export prospects for 1956-57 due to increased foreign competition will further reduce the U. S. share of world trade compared with prewar.

Dairy.--Exports for 1956 largely maintained the gain that was established in 1955 over the previous year. The major proportion of the export gain in the 2 years was a result of Government programs, including donations. The outlook for 1957 is favorable, but there probably will be a drop in butter exports

due primarily to lack of supplies for foreign donations. However, this drop is likely to be partially offset by an increase in cheese exports.

Exports of evaporated milk, condensed milk, dry whole milk, and nonfat dry milk will be maintained at approximately the 1956 levels. Leading exporting countries will continue to include Australia, New Zealand, Denmark, and the Netherlands. All of these countries maintain highly centralized or monopoly control in the marketing of dairy products; rigid grading requirements for export, chiefly butter and cheese; extensive and well organized representation in foreign markets; pooling of returns from export sales; and pooling of prices to producers. Their methods of production and marketing are efficient, and dairy products exported are of high quality.

Poultry Products.--U. S. exports of poultry products have risen from about \$1 million in 1937 to over \$40 million in 1956. This upward trend is expected to continue. The quality and prices of most U. S. poultry products compare favorably with those of U. S. competitors. This country has a large potential for expanding output. The bulk of U. S. exports is to Latin America. Main competitors of the U. S. in export markets are Denmark and the Netherlands. These countries have the advantages of lower wage rates, and, in regard to the important markets of Western Europe, they also have lower transportation costs. However, U. S. exports of poultry meat and processed eggs to Europe increased in 1956.

The real competition U. S. poultry meat and processed eggs presently face in the European markets is not so much foreign production but the political and discriminatory barriers used to exclude U. S. products--chiefly "disease regulations," import permits, currency exchange restrictions, etc.

Other Livestock and meat products.--World meat production continued to increase during 1956 but the rate of increase was smaller than in 1955. Even though foreign exports in 1956 over 1955 were large and competitive, the U. S. was able to improve its position in foreign markets.

U. S. exports comprised 3 percent of world exports in 1956 as against 2.4 percent in 1955, and 2.5 percent in the prewar period. As a result of the competitive position of U. S. pork and pork products, variety meats, lard, tallow and greases, exports of these products in the first half of 1956 were 26 percent greater than a year earlier, while total imports during the same period dropped 7 percent. Exports of lard, tallow and greases reached a record high in 1956, totaling 83 and 85 percent of world exports, respectively. Provided world economic activity continues high, the U. S. share of the world meat market will continue to be increasingly more important.

Vegetable oils and oilseeds.--Exports of edible vegetable oils in 1957 are expected to continue around last year's record level and soybean exports probably will increase. For several years now, foreign demand for edible vegetable oils and oilseeds has been rising faster than foreign supplies. Exportable supplies from India, a major U. S. competitor, has been limited by rising domestic consumption.

Soybean production in China, the only major foreign producer and exporter, has been relatively stable in recent years at a level moderately below prewar. U. S. exports of edible oils also are being encouraged by government programs. Except for the possibility of heavy European buying that may result from international tensions, the export outlook for flaxseed and linseed oil would not be good because foreign exportable supplies, especially in Canada and Argentina, are up sharply from last year's small quantity.

Fruits and Vegetables.--Total exports of fresh and processed fruits in 1956-57 are expected to equal the 1955-56 level. Citrus exports should continue heavy because of the short Mediterranean supplies of winter oranges stemming from the freeze damage to Spanish trees. Increasing foreign production of deciduous fruit and competitive foreign prices, coupled with protectionist policies in the importing countries, offer little prospect for increased

exports of these items. Exports of canned fruits should continue their recovery toward prewar levels. Prices are competitive and trade barriers are being gradually removed. Exports of raisins will be lower in 1956-57 because of a smaller crop, larger foreign crops, and keener price competition; the reverse will probably be the case for dried prunes. Almond exports for 1956-57 will be at an unusually high level because of Mediterranean crop failures.

Exports of both fresh and processed vegetables, are expected to continue the upward trend of recent years with the bulk of the shipments moving to Canada. Production of winter vegetables in Mexico and Cuba, particularly tomatoes, may be above the small supplies of last year. Exports of peas should be up substantially from last year because of a poor crop in Europe. Crops of white classes of beans are short in Japan, Turkey, and the Danubian countries, and the U. S. has a smaller supply of colored beans.

SITUATION BY COMMODITIES

FOOD AND FEED GRAINS

The prosperity of U. S. producers of grain and grain products depends heavily on the maintenance of export outlets for the nation's surpluses of such commodities. During 1955-56 grain exports represented the product of 29.5 million acres of U. S. farm land compared with an average of 30 million annually for the 5-year period immediately following World War II and 6.1 million annually for the 5-year period immediately preceding it. (Table 1)

On a value basis, grain and grain products constituted 31.4 percent of the nation's agricultural exports and 6.5 percent of its total exports in 1955-56. Thus, anything that affects the competitive status of U. S. grain and grain products in world markets has an immediate impact not only on the income and purchasing power of individual producers, but also on the nation's international balance of payments and its general well-being.

The postwar demand for U. S. grain and grain products in foreign countries was such that the nation's surpluses found ready outlets abroad. To meet that demand, production was greatly expanded. During the first five years after World War II, deficit countries depended on the U. S. for more than 41 percent of all of the food and feed grains entering into international trade. Today, in the face of increased production not only in competing exporting countries but in importing countries as well, the fullest cooperation of both the U. S. Government and the trade is required to assure our producers a reasonable share of the world's export market.

TABLE 1.--Grain: Relation of United States exports to harvested area, year beginning July 1, average 1934-38 and 1945-49, annual 1955

Period	Area harvested	Yield per acre	Production	Production for export		
				Total	U.S. share	Acreage ¹
1934-38:	1,000 acres	Bushels	1,000 bushels	1,000 bushels	Percent	1,000 acres
Wheat.....	55,429	12.9	715,597	45,229	6.3	3,506
Rye.....	3,319	12.2	40,462	1,524	3.8	125
Corn.....	93,482	22.3	2,089,141	37,860	1.8	1,698
Oats.....	34,960	27.5	962,637	4,506	1.5	164
Barley.....	9,584	21.5	206,461	9,687	4.7	451
Grain sorghums.....	3,880	12.5	48,849	154	1.3	12
Rice (rough).....	1,064	49.6	49,853	7,569	15.2	152
1945-49:						
Wheat.....	71,024	16.9	1,202,396	² 416,083	34.6	24,620
Rye.....	1,810	12.3	22,336	4,157	18.6	338
Corn.....	85,696	35.7	3,056,687	76,856	2.5	2,153
Oats.....	39,896	34.3	1,369,574	21,238	1.6	619
Barley.....	10,713	25.5	273,306	20,207	7.4	792
Grain sorghums.....	6,476	17.8	115,037	19,248	16.7	1,081
Rice (rough).....	1,690	46.6	78,842	31,098	39.4	667
1955: ³						
Wheat.....	47,255	19.8	936,761	² 340,858	36.4	17,201
Rye.....	2,092	14.2	29,678	7,029	23.7	496
Corn.....	79,900	40.6	3,241,536	123,592	3.8	3,036
Oats.....	39,138	38.3	1,499,282	29,082	1.9	744
Barley.....	14,553	27.5	400,295	102,451	25.6	3,726
Grain sorghums.....	12,839	18.8	241,100	72,723	30.2	3,877
Rice (rough).....	1,826	65.1	118,944	25,432	21.4	391

¹On basis of indicated yields per acre.

²Excludes flour not wholly of U. S. wheat.

³Subject to revision.

Wheat and rice are by far the most important U. S. food grain exports. Rye exports are relatively insignificant. Corn holds first place in U. S. coarse grain exports. Barley, sorghums and oats follow in that order. The U. S. in 1956-57 has record supplies of wheat but rice supplies are less than they were a year ago. Total coarse grain supplies are also at a record level though only a little above the 1955-56 total. All of these grains are being offered in world markets at competitive prices, although world market prices in most instances are well below U. S. domestic prices.

Factors Affecting U. S. Grain Exports in 1956-57

Capacity of the world's grain deficit producing countries to provide outlets for grain surpluses in the U. S. and other exporting countries depends on a number of variables. The most significant factors in the competitive situation confronting U. S. grain exports in world markets during the current 1956-57 season include the following:

Favorable Factors.--

(1) Reduction in this year's wheat crop in European countries and inferior milling quality of much of it.

(2) Disappearance of France as a significant wheat exporter, likelihood of no more than token exports from Turkey, and no evidence of significant export availabilities in Soviet Russia and East European Satellite countries, although the U. S. S. R. has known export commitments of 1 million tons of wheat.

(3) Need to build up reserves of grains in many importing countries. This is particularly true of wheat in European countries and of wheat and rice in the Far East.

(4) Steady upward trends in population, continued high level of industrial activity, and improved consumer purchasing power in many grain importing countries.

(5) Increasing demands for food grains in less developed regions of the world, especially in the Far East and in Latin America, as a result of efforts to bring about diversification and improvements in the diet.

(6) Increasing demands for feed grains in foreign countries because of upward trends in livestock numbers and in quantities of feedstuffs fed per animal unit. However, this will be partly offset this year by increased supplies of non-millable wheat in European countries and by their increased plantings of feed grains to replace winter-killed wheat.

(7) Continued large U. S. expenditures abroad and increased foreign country holdings of gold, short-term dollar assets and U. S. Government bonds.

(8) CCC sales of its stocks at competitive export prices and possibilities of selling CCC-owned stocks to U. S. exporters on a deferred payment basis.

(9) Extension by the Export-Import Bank of short-term credit to foreign buyers and banks to finance purchases of grain in cases where financing is not available from private sources.

(10) Continued opportunities for moving of U. S. grain and grain products into export channels under one or more of the various special export programs authorized by Congress.

Unfavorable Factors.--

(1) Continued efforts by importing countries to attain a higher degree of self-sufficiency either by expanding acreages or getting higher yields per acre.

(2) Maintenance by importing countries of support prices for home-grown grains at higher than world market levels thus necessitating control of imports.

(3) Strenuous efforts on the part of competing exporters, especially with wheat, to develop expanding outlets in world markets, and willingness of their

Governments to guarantee minimum or fixed prices to growers and/or to absorb losses on grains moved into export channels.

(4) Exporting grain by foreign competitors at prices lower than U. S. support levels.

(5) Use of bilateral and barter arrangements for importing grain from non-dollar sources, thus sealing off markets for grain which might otherwise have been supplied, at least in part, from the U. S. and other dollar sources.

(6) Continued control over imports either to conserve dollar exchange, thus encouraging imports from non-dollar sources, or to assure markets for grain, especially wheat, produced domestically under high price supports.

(7) Continued lack of full-scale convertibility of currencies in many grain importing countries.

(8) Continued large and in some cases even larger export availabilities this year than a year ago in several of the major foreign grain exporting countries.

(9) Increased export prices because of the tight shipping situation and higher freight costs.

Foreign Grain Production Trends and Potentials

World grain production has been going up since the end of World War II, and totaled 809 million tons in 1956-57 compared with the annual averages of 661 million tons for 1945-49 and 672 million tons for 1935-39. (Table 2) Production has increased much more rapidly in foreign countries in the past decade than in the U. S.

Total foreign production in 1956-57 is 28.9 percent above the 1945-49 average while in the U. S. it is only 0.7 percent higher. Foreign bread grain production this year exceeds the immediate postwar average by 28 percent and the prewar average by 13 percent. Rice production in foreign countries this year is 22 percent above the postwar and 20 percent above the prewar average. Foreign feed grain production this year exceeds the postwar average by about 30 percent and the prewar average by 20 percent.

Wheat.--The world's 1956-57 wheat crop is tentatively estimated at 7.5 billion bushels, approximately the same as the 1952-53 record. This compares with 7.4 billion bushels a year ago and with the 1935-39 average of 6.1 billion bushels. (Table 3) Despite a big reduction in the 1956 crop of Free Europe, the combined production of all foreign countries, which accounts for 87 percent of the estimated total, is 10 percent higher than the 1950-54 average while that in the U. S., which accounts for the remaining 13 percent is 11 percent lower. (Figure 2).

The increase over 1955 was due mainly to larger harvested acreages in all continents except Europe and Oceania. This, however, does not imply a downward trend in wheat acreages in the two latter areas. In Europe, the decline this year was due entirely to heavy winter kill which necessitated considerable reseeding, especially in France and the Low Countries. A good part of the reseeding was to coarse grains, especially barley. The reduction in Australia was largely caused by prolonged wet weather which made seeding of the planned acreage impossible.

Government programs have gradually reduced U. S. wheat production since the postwar peak of 1.4 billion bushels in 1947. In foreign countries, however, it continues on its postwar upward trend. Compared with the 1935-39 average, the 1956 crop shows an increase of 16 percent in principal importing countries and 26 percent in the principal foreign exporting countries. Under existing systems of guaranteed minimum producer prices in virtually all foreign wheat producing countries, supplemented in some instances by subsidized exports, the upward trend in their production may continue for some time.

TABLE 2.--Grain: World production and United States share of total, year beginning July 1, specified averages 1935-54, annual 1954-56

Grain	Average								
	1935-39			1945-49			1950-54		
	World total	United States		World total	United States		World total	United States	
		Total	Share		Total	Share		Total	Share
	1,000 short tons	1,000 short tons	Percent	1,000 short tons	1,000 short tons	Percent	1,000 short tons	1,000 short tons	Percent
Wheat..	183,000	22,759	12.4	177,300	36,072	20.3	211,800	32,825	15.5
Rye....	48,500	1,258	2.6	42,800	625	1.5	44,900	582	1.3
Rice ¹ ..	179,600	1,122	1.6	177,100	1,774	1.0	196,200	2,501	1.3
Total	411,100	25,139	6.1	397,200	38,471	9.7	452,900	35,908	7.9
Corn...	133,700	64,836	48.5	148,300	85,587	57.7	155,000	87,138	56.2
Oats...	69,900	16,725	23.9	62,700	22,024	35.1	66,800	20,567	30.8
Barley..	57,000	5,727	10.0	52,300	6,559	12.5	64,400	6,796	10.6
Total	260,600	87,288	33.5	263,300	114,170	43.4	286,200	114,501	40.0
Grand total	671,700	112,427	16.7	660,500	152,641	23.1	739,100	150,409	20.4
Annual									
	1954			1955			1956 ²		
Wheat..	210,800	29,517	14.0	221,400	28,103	12.7	225,500	28,997	12.9
Rye....	42,800	726	1.7	41,600	831	2.0	37,900	607	1.6
Rice ¹ ..	200,000	3,210	1.6	212,200	2,677	1.3	215,900	2,261	1.0
Total	453,600	33,453	7.4	475,200	31,611	6.7	479,300	31,865	6.6
Corn...	157,200	85,621	54.5	175,800	90,763	51.6	183,100	94,335	51.5
Oats...	67,000	22,554	33.7	71,000	23,989	33.8	68,000	18,474	27.2
Barley..	68,600	9,102	13.3	73,900	9,607	13.0	79,000	8,886	11.2
Total	292,800	117,277	40.1	320,700	124,359	38.8	330,100	121,695	36.9
Grand total	746,400	150,730	20.2	795,900	155,970	19.6	809,400	153,560	19.0

¹Rough rice basis.

²Preliminary estimate.

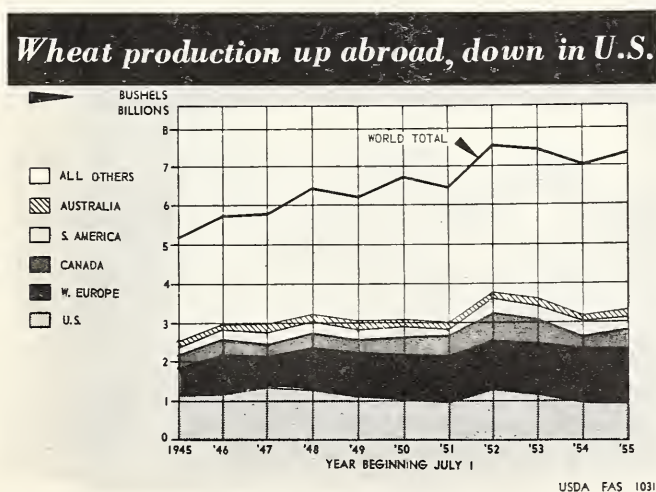


Fig. 2

In contrast, under the U. S. Soil Bank Program, the 1957 wheat area is expected to be from 10 to 13 million acres under the 61.4 million acres harvested in 1956.

Situation in Major Wheat Exporting Countries

Canada, Argentina and Australia are the principal countries competing with the U. S. in foreign markets (Fig. 3). In each of these areas, virtually all phases of the marketing and exporting of wheat are run by Government monopolies (Insert A). The Governments

TABLE 3.--Wheat: World production by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Country or area	Average		1955	1956	Percent 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Principal foreign exporters:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Canada.....	312	529	494	512	164	97
Australia.....	170	182	196	(¹)	85	80
Argentina.....	222	216	193	(¹)	113	116
France.....	287	315	382	240	84	76
Sweden.....	26	30	26	33	127	110
Syria.....	19	27	22	32	168	119
Turkey.....	136	214	261	240	176	112
Algeria.....	35	42	46	51	146	121
French Morocco.....	23	35	35	38	165	109
Tunisia.....	15	20	15	17	113	85
Uruguay.....	13	22	29	(¹)	231	136
Total.....	1,258	1,632	1,699	1,588	126	97
Principal importers:						
Free Europe ²	823	887	972	927	113	105
Free Asia ²	619	632	697	701	113	111
South America ²	45	70	78	80	178	114
Africa ²	70	86	94	99	141	115
Total.....	1,557	1,675	1,841	1,807	116	108
Other foreign.....	2,526	2,659	2,903	3,149	125	118
United States.....	759	1,094	937	975	128	89
Estimated world total.....	6,100	7,060	7,380	7,520	123	106
United States percent of world.....	Percent 12	Percent 15	Percent 13	Percent 13	--	--

¹Unofficial estimate included in total.

²Excludes production in any exporting country shown separately.

maintain a guaranteed minimum or fixed producer price for home-grown wheat, and have arrangements for making up losses on export sales.

In Canada, estimated wheat supplies for the 1956-57 (August-July) marketing year amount to 1,049.4 million bushels, consisting of the August 1 carry-over of 537.2 million bushels and the 1956 crop forecast (basis conditions October 15) of 512.2 million. Supplies of the size indicated would be the largest on record and would exceed by 6 percent the 1955-56 total of 993.9 million bushels. Allowing 160 million bushels for domestic use, supplies available for export and for carryover this season would amount to 889.4 million bushels compared with 845.9 million in 1955-56. Exports last year (August-July) amounted to 309 million bushels. Assuming equal exports this year, the carryover on August 1, 1957, will amount to about 580 million bushels.

It is still too early for a firm estimate of the new season's (December-November) supply situation in Australia where seeding was seriously delayed by extremely

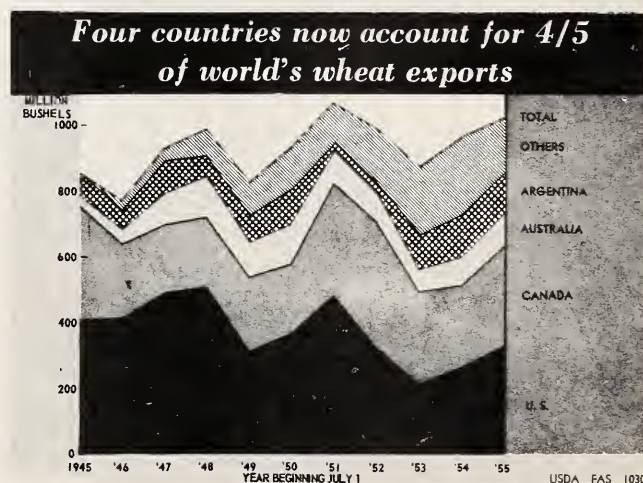


Fig. 3

	France	Sweden
1. Price support	Government fixes the prices which must be paid to farmers for the total quantity of deliveries to be made. The 1956-57 price for hard wheat is 3760 francs per quintal (\$2.92 per bushel) for those who deliver 75 quintals (263 bushels) or more. For those who deliver less than 75 quintals, the price is 4002 francs (\$3.11) for those who deliver less than 40,000 francs. The price for hard wheat is 4,277 francs per quintal (\$3.33 per bushel). These prices will be paid for the 1956 crop wheat. Adjustments are allowed for variations in quality. Farmers are paid for storing wheat. No acreage or production controls.	: Fixed floor and ceiling producer prices for 3-year period beginning August 1, 1956, ranging from 37 to 47 kr. per 100 kg. (\$1.95 to \$2.47 per bushel). In April, 1957, the Swedish Grain Trade Association will buy all unsold wheat at 43.5 kr. per 100 kg. (\$2.29 per bushel), for wheat of normal quality at point of purchase. Import excise tax of 7 kr. per 100 kg. (\$3.37 per bushel) imposed to protect guaranteed minimum price. Admixture of domestic with imported wheat and flour may be enforced to support the guaranteed price. Guaranteed price announced immediately before harvest. No production or acreage controls in operation.
2. Agricultural credit	Government provides about half of the funds for medium and long-term loans granted through the agricultural credit banks to all farmers, including wheat growers.	: Grants and loans or guaranteed loans for land and other farm improvements, land purchase, crop damage, aid to small farmers, and operating capital. Guaranteed loans for cooperative elevators. Loans and grants for purchase of farm machinery for collective use.
3. Tax benefits	Farmers enjoy certain tax concessions available to them, including a tax concession (often referred to as a subsidy) on fertilizers.	: Refund of gasoline tax (lump sum of 325 kr. i.e., \$63, per tractor)
4. Production incentives	Government provides incentives for the use of fertilizers (i.e., a tax concession) and on farm machinery and motor fuels to all farmers, including wheat growers.	: See item No. 3.
5. Marketing and storage	Government does not provide or operate storage or handling facilities. Farmers sell to approved local grain cooperatives who have the necessary facilities. If wheat is done by private traders but National Cereals Office controls quantities and times of exportation which millers and exporters must pay local levies and cooperatives for wheat and flour are supervised by Government.	: Except as indicated above and below, all trade in wheat and flour is handled by private dealers and is unrestricted. The Grain Trade Association is a surplus purchasing, handling, storing and selling agency. After April 1 each year it purchases all unsold wheat farmers have on hand from previous harvest, at prices announced prior to harvest. Storage space is rented from the Government and private interests. Storage is financed with credit extended by National Debt Office. Losses Association sustains on sales are covered by funds derived from import and milling excise fees (see item No. 7). Association also registers all foreign deals in wheat and flour and pays all export subsidies.
6. Transportation	Government provides a "statistical tax" deducted from the price paid farmers is used by the National Cereals Office to transport wheat and flour from surplus to deficit areas within the country.	: Special rail freight rates on all food products.
7. Export incentives	Policy of Government is to encourage wheat production for domestic consumption and for export. French wheat is exported at prices below domestic levels and exports are subsidized. National Cereals Office designates areas and locations from which wheat can be exported. Exporter pays transportation costs to border or port and cost of storing and handling at such points. Current export allocation is awarded to the trader among traders bidding, offers to export at lowest price of subsidy. Exportation of wheat flour also encouraged.	: Swedish wheat export prices are below domestic levels. Exports subsidized by Government with proceeds from a 7 kr. per 100 kg. (\$3.37 per bushel) excise tax on wheat imports, a miller's excise tax of 5 kr. per 100 kg. (\$2.26 per bushel), a corresponding excise tax on imported flour and from the proceeds of various other excise taxes. Current export subsidy is about 11 kr. per 100 kg. (\$5.88 per bushel). If domestic price exceeds the ceiling price by more than 3 kr. per 100 kg., exports will be prohibited.
8. Long term (guaranteed) trade	Arrangement with Tunisia, France sells surplus wheat and supplies Tunisian wheat deficits during the period beginning August 1, 1954.	: None.
9. Bilateral trade agreements	Agreement with West Germany dating from October 1955 provides for exports by France of 500,000 metric tons (18.4 million bushels) annually. This was 10 percent of France's wheat exports in 1955-56. However, due to the poor 1955 crop, total 1956 crop total export availability for West Germany is greatly reduced.	: For 3-year period beginning August 1, 1955, West Germany agreed to purchase 250,000 metric tons (9,186,000 bushels) of wheat annually. However, due to the poor 1955 crop, total wheat exports to all countries in 1955-56 amounted to only 108,000 tons (3.3 million bushels).
10. Preferential trade agreements	Wheat and flour receive preferential tariff treatment in French West Africa and French Territories in accordance with item 9 for foreign import quota.	: See No. 9 for quota in Germany.

TABLE 3.--Wheat: World production by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Country or area	Average		1955	1956	Percent 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Principal foreign exporters:						
Canada.....	312	529	494	512	164	97
Australia.....	170	182	196	(¹)	85	80
Argentina.....	222	216	193	(¹)	113	116
France.....	287	315	382	240	84	76
Sweden.....	26	30	26	33	127	110
Syria.....	19	27	22	32	168	119
Turkey.....	136	214	261	240	176	112
Algeria.....	35	42	46	51	146	121
French Morocco.....	23	35	35	38	165	109
Tunisia.....	15	20	15	17	113	85
Uruguay.....	13	22	29	(¹)	231	136
Total.....	1,258	1,632	1,699	1,588	126	97
Principal importers:						
Free Europe ²	823	887	972	927	113	105
Free Asia ²	619	632	697	701	113	111
South America ²	45	70	78	80	178	114
Africa ²	70	86	94	99	141	115
Total.....	1,557	1,675	1,841	1,807	116	108
Other foreign.....	2,526	2,659	2,903	3,149	125	118
United States.....	759	1,094	937	975	128	89
Estimated world total.....	6,100	7,060	7,380	7,520	123	106
United States percent of world.....	Percent 12	Percent 15	Percent 13	Percent 13	--	--

¹Unofficial estimate included in total.

²Excludes production in any exporting country shown separately.

maintain a guaranteed minimum or fixed producer price for home-grown wheat, and have arrangements for making up losses on export sales.

In Canada, estimated wheat supplies for the 1956-57 (August-July) marketing year amount to 1,049.4 million bushels, consisting of the August 1 carry-over of 537.2 million bushels and the 1956 crop forecast (basis conditions October 15) of 512.2 million. Supplies of the size indicated would be the largest on record and would exceed by 6 percent the 1955-56 total of 993.9 million bushels. Allowing 160 million bushels for domestic use, supplies available for export and for carryover this season would amount to 889.4 million bushels compared with 845.9 million in 1955-56. Exports last year (August-July) amounted to 309 million bushels. Assuming equal exports this year, the carryover on August 1, 1957, will amount to about 580 million bushels.

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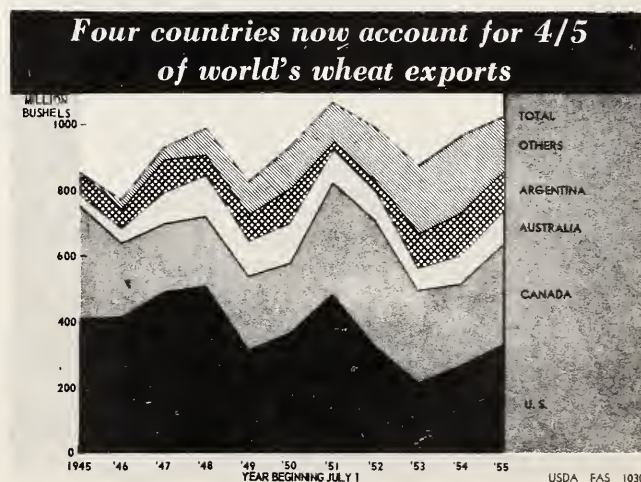


Fig. 3

Type of Measure	Canada	Australia	Argentina	France	Sweden
1. Price support.....	The Canadian Wheat Board guarantees minimum producer price of \$1.40 per bushel (for 1956-57) for basic grade Manitoba Northern No. 1, in store at Port William/Port Arthur or Vancouver (other minimum prices established for other grades) less fixed country elevator and other handling charges to terminal elevators. Additional payments made if net returns realized by the Board exceed the guaranteed minimum. No direct production or acreage controls. However, a delivery quota system tends to prevent acreage from exceeding the level necessary to produce the quantity a farmer is entitled to market under his quota. Minimum price applies only to the quantity farmers are entitled to market under their fixed quotas.	Farmers are guaranteed a minimum price for each season's crop equal to the national average cost of production for the season as calculated by Federal Ministry of Commerce and Agriculture. The guarantee applies to all wheat sold for domestic consumption and up to 100 million bushels of exports. The 1955-56 price guarantee was 13 s. 1 d. (\$1.47) per bushel for f.s.q. bulk wheat f.o.r. ports of export. Adjustments are made to allow for variations from f.a.q. Net proceeds realized by the Board on its sales are returned to growers on basis of quantity and quality of wheat delivered to it. No acreage or production controls.	For the 1955 crop, farmers were guaranteed a base price of 70 pesos per 100 kg. (\$1.18 per bushel) free alongside elevators at Ocean ports, for wheat of a specified quality. Adjustments are made in the price to allow for variations in quality. No acreage or production controls. Fixed price applies to entire commercial production. For the 1956 crop the National Grain Board (JNDG) guarantees a base price of 75 pesos per 100 kilos (\$1.26 per bushel).	The Government fixes the prices which must be paid to farmers and fixes the total quantity of deliveries to which the prices will be applicable. The 1956-57 price for soft wheat is 3760 francs per quintal (\$2.92 per bushel) for farmers who deliver 75 quintals (263 bushels) or more, and 4002 francs (\$3.11) for those who deliver less and whose income from land is less than 40,000 francs (\$314). The price for hard wheat is 4,277 francs per quintal (\$3.33 per bushel). These prices will be paid for all deliveries of 1956 crop wheat. Adjustments are allowed for variations in quality. Farmers are paid for storing unsold wheat. No acreage or production controls.	Fixed floor and ceiling producer prices for 3-year period beginning August 1, 1956, ranging from 37 to 47 kr. per 100 kg. (\$1.95 to \$2.47 per bushel). In April, 1957, the Swedish Grain Trade Association will buy all unsold wheat at 43.5 kr. per 100 kg. (\$2.29 per bushel), for wheat of normal quality at point of purchase. Import excise tax of 7 kr. per 100 kg. (\$3.37 per bushel) imposed to protect guaranteed minimum price. Adixture of domestic with imported wheat and flour may be enforced to support the guaranteed price. Guaranteed price announced immediately before harvest. No production or acreage controls in operation.
2. Agricultural credit.....	Guaranteed short-term bank loans of up to \$1500 per farmer at 5 percent interest on 50 percent of the value of debt-free grain farmer has in storage on his farm. Government loans up to 30 years available for farm improvement.	None except that limited State Government credit is extended to certain settlers in new areas.	The Government makes loans available to producers at relatively low interest rates to encourage construction of on-farm storage facilities and adoption of improved cultural practices.	Government provides about half of the funds for medium and long-term loans granted through the agricultural credit system to all farmers, including wheat growers.	Grants and loans or guaranteed loans for land and other farm improvements, land purchases, crop damage, aid to small farmers, and operating capital. Guaranteed loans for cooperative elevators. Loans and grants for purchase of farm machinery for collective use.
3. Tax benefit to producer.....	No information on this item.	A tax reduction of 20 percent annually is allowed in the first 5 years on all capital investments to improve or expand production.	No information on this item.	Wheat growers enjoy certain tax concessions available to all farmers, including a tax concession (often referred to locally as a subsidy) on fertilizers.	Refund of gasoline tax (lump sum of 325 kr. i.e., \$63, per tractor)
4. Production requisites.....	Federal and Provincial funds are used for development of irrigation in spring wheat belt. Under Prairie Farm Assistance Act, special aid, in form of direct grants, is extended to western grain farmers in case of crop failure.	None except that farm machinery not produced in Australia may be imported duty free, or at low duties.	See item No. 2.	Subsidies on fertilizers (i.e., a tax concession) and on agricultural machinery and motor fuels to all farmers, including wheat growers.	See item No. 3.
5. Marketing and warehousing.....	The Board is the sole legal purchaser of wheat grown in the Prairie Provinces and certain parts of British Columbia and northwestern Ontario. Farmers sell to the Board which resells in domestic and export markets. The Board's selling prices are quoted daily. It does not own or operate grain storage or handling facilities. These activities are carried on by private shippers and elevator owners on Board account. The Government pays carrying charges on wheat held by the Board at beginning of each crop year in excess of 178 million bushels. Before 1955-56 these charges were paid out of revenue the Board derived from sale of wheat and were deducted from final returns to farmers. The Government guarantees to cover Board's losses on wheat sales.	The Australian Wheat Board exercises a monopoly over purchases and sales. Sales to other than the Board can be made only under Board permit. The Board sells wheat for domestic consumption at the current I.W.A. export price or at 14 s. (\$1.57) per bushel, whichever is lower, but in no case not less than the calculated cost of production. However, it is required to add 1½ d. (1.4 cents) per bushel on all wheat sold for consumption in Australia to cover the cost of shipments to Tasmania. The 1955-56 price for domestic consumption is 13 s. 5½ d. (\$1.51) per bushel for f.a.q. wheat. The Board is authorized to manage and control all matters connected with the handling, storage, protection and shipment of wheat which it acquires.	The Government owns and operates all storage facilities at ports and controls most of the facilities at interior points. Cooperatives, acting as agents of JNDG, are the sole legal buyers of wheat entering into commercial channels. It sells to flour millers for local consumption at fixed prices and to licensed dealers for export. Bread prices also are fixed. Flour millers get a subsidy from the Government for flour milled for domestic consumption.	Government does not provide or operate storage or handling facilities. Farmers sell to approved local grain dealers or cooperatives who have the necessary facilities. Exporting of wheat is done by private traders but National Cereals Office controls quantities and times of exportation. Prices which millers and exporters must pay local grain dealers and cooperatives for wheat and flour are fixed by the Government.	Except as indicated above and below, all trade in wheat and flour is handled by private dealers and is unrestricted. The Grain Trade Association is a surplus purchasing, handling, storing and selling agency. After April 1 each year it purchases all unsold wheat farmers have an hand from previous harvest, at prices announced prior to harvest. Storage space is rented from the Government and private interests. Storage is financed with credit extended by National Debt Office. Losses Association sustains on sales are covered by funds derived from import and milling excise fees (see item No. 7). Association also registers all foreign deals in wheat and flour and pays all export subsidies.
6. Transportation rates.....	Lower freight rates exist from Prairie Provinces to Vancouver and Churchill on wheat for export and to Lakeshead ports on all wheat. Government sponsored "freight assistance" payments are also in effect on western grain and millfeeds shipped to eastern Canada.	None except that certain fertilizers can be transported to certain States at reduced freight rates.	No information on this item.	Part of proceeds of a "statistical tax" deducted from wheat prices paid farmers is used by the National Cereals Office to transport wheat and flour from surplus to deficit areas within the country.	Special rail freight rates on all food products.
7. Export incentives or deterrents.....	The Board is authorized to promote the sale of wheat in domestic and world markets. It maintains branch offices at home and abroad for that purpose. It quotes wheat for domestic sale at same price it quotes for export under I.W.A., although it also sells wheat for export at higher than I.W.A. prices. Selling prices are quoted daily. Foreign buyers may purchase wheat under a deferred pricing plan, under which the price is not determined until shortly after the date of call for shipment. In 1955-56 the Board adopted a policy of selling wheat to Iron Curtain Countries on credit.	Wheat can be exported only by the Board or with its consent. It sells in export markets at the highest price obtainable, with due regard to the I.W.A. maximum. When export prices exceed the cost of production a charge equal to the difference, but not in excess of 1 s. 6 d. (16.8 cents) per bushel, is levied on exports. The fund thus obtained is used whenever necessary to guarantee cost of production for exports up to 100 million bushels. When this fund reaches £20 million (\$44.8 million) there is no levy on exports. If the fund is exhausted, the Commonwealth Government will subsidize. Farmers in West Australia get 3 d. (2.8 cents) per bushel extra for exported wheat because of lower freight rates to major markets from that State. The Board in 1955-56, decided to sell wheat to Iron Curtain Countries on credit.	JNDG controls all wheat for export. For exports on a Government to Government basis, it is the actual exporter. The balance of the exports is sold by JNDG to private traders who must obtain licenses from the Central Bank which controls foreign exchange allocations. Up until late in 1955, the foreign exchange rate on wheat exports was 5 pesos to the dollar. Losses in pesos on exports at that rate were recovered by profits made under a system of multiple exchange rates applicable to imports. In October, 1955, the exchange rate on wheat exports was changed to 18 pesos to the dollar but with the Government retaining 10 percent of the exchange earnings for its National Recovery Fund. Most sales to foreign countries have been under bilateral and barter agreements, which provide for exports of specified quantities in exchange for needed imports at a corresponding value.	General policy of Government is to encourage wheat production both for domestic consumption and for export. French wheat is exported at prices below domestic levels and exportation is subsidized. National Cereals Office designates quantities and locations from which wheat can be exported. Exporter pays transportation costs to border or ocean port and cost of storing and handling at such points. Each export allocation is awarded to the trader who, from among traders bidding, offers to export at lowest amount of subsidy. Exportation of wheat flour also is subsidized.	Swedish wheat export prices are below domestic levels. Exports subsidized by Government with proceeds from wheat excise tax on wheat (7 kr. per 100 kg. (\$3.37 per bushel) excise tax on wheat imports, a miller's excise tax of 5 kr. per 100 kg. (\$3.26 per bushel), a corresponding excise tax on imported flour and from the proceeds of various other excise taxes. Current export subsidy is about 11 kr. per 100 kg. (\$5.58 per bushel). If domestic price exceeds the ceiling price by more than 3 kr. per 100 kg., exports will be prohibited.
8. Long term (more than one year) guaranteed purchase agreements.....	See item 9.	None.	See item No. 9.	Under an arrangement with Tunisia, France sells surplus Tunisian wheat and supplies Tunisian wheat deficits during the 4 years beginning August 1, 1954.	None.
9. Bilateral trade agreements.....	Three-year agreement with U.S.S.R. signed Feb. 29, 1956 provides for wheat exports by Canada in annual quantities of 400,000 - 500,000 metric tons (14.7 - 18.4 million bushels). No credit is granted and sales are to be in dollars. This is about 6 - 7 percent of Canada's wheat exports.	Under a one-year (1956-57) agreement with West Germany Australia will export 100,000 metric tons wheat (3.7 million bushels). This quantity is about 4 percent of Australia's annual wheat exports.	Virtually all exports have been made under such agreements. The most important are with Brazil (up to 1,200,000 metric tons annually, if available) for a 3-year period ending in 1956; with Germany (450,000 tons annually) for a 3-year period ending June 1957; and with Italy (500,000 tons annually) for a 5-year period ending June 1957.	Three-year agreement with West Germany dating from October 1, 1955, provides for exports by France of 500,000 metric tons wheat (18.4 million bushels) annually. This was about 19 percent of France's wheat exports in 1955-56. Because of poor 1956 crop total export availabilities for 1956-57 were greatly reduced.	For 3-year period beginning August 1, 1955, West Germany agreed to purchase 250,000 metric tons (9,166,000 bushels) of wheat annually. However, due to the poor 1955 crop, total wheat exports to all countries in 1955-56 amounted to only 108,000 tons (3.3 million bushels).
10. Preferential tariffs and import quota treatment.....	United Kingdom admits Canadian wheat flour duty free. U.K. duty against flour from other than British Commonwealth sources is 5 percent ad valorem. Canadian wheat and flour receive preferential tariff treatment in most other Commonwealth Countries.	During the 3-year period beginning July 1, 1955, Australian wheat is admitted to the Federation of Rhodesia and Nyasaland free of duty. Australian flour is admitted free of duty into the United Kingdom. See item 9 for foreign import quotas. Australian wheat and flour receive preferential tariff treatment in most other Commonwealth Countries.	No information on tariff preferences. See item 9 for foreign import quotas.	French wheat and flour receive preferential tariff treatment in French West Africa and French Territories in Oceania. See item 9 for foreign import quotas.	See No. 9 for quota in Germany.

wet weather. Acreage is some 20 percent less than in 1955. In mid-December, the crop was estimated at 130 million bushels compared with 196 million a year ago. Despite the low crop, the Commonwealth will have enough wheat for all domestic and normal export requirements. With a December 1, 1956, carry-over tentatively estimated at 85 to 90 million bushels, total supplies should range from 215 to 220 million bushels compared with 287 million in 1955-56. Allowing 70 million for domestic use, supplies available for export or carry-over would amount to 145-150 million bushels compared with 217 million in 1955-56. Export sales during 1955-56 are estimated at 125 to 130 million bushels. If they continue at the same level in 1956-57, Australia will enter its 1957-58 marketing season with no more than a nominal carryover.

In Argentina, the area seeded for the 1956-57 wheat crop was substantially larger than a year ago, with durum wheat accounting for a large part of the increase. With a crop tentatively estimated at 220 million bushels and the December 1, 1956, carryover at 45 to 50 million, total supplies for the 1956-57 (December-November) season should range from 265 to 270 million bushels. Allowing usual quantities for domestic use, supplies available for export or carryover in 1956-57 range from 130 to 135 million bushels. Total supplies in 1955-56 amounted to 276.1 million bushels, consisting of the December 1, 1955, carrying of 83.2 million and the 1955 crop of 192.9 million. Deducting 136 million bushels for domestic use, left 140.1 million bushels for export or carryover. Actual exports during the 1955-56 season are estimated at 90 to 95 million bushels.

Situation in Smaller Wheat Exporting Countries

Competition from such one-time major surplus producing areas as Russia and the Danube Basin has been sporadic and at greatly reduced levels since the first World War. While Russian collections from the 1956 crop were large, there is no indication that exports to the Free World will show a marked increase. Russia and several of the Eastern European Satellite countries are again in the market this year for substantial quantities of wheat, as they were a year ago.

Both France and Turkey have become net exporters only recently. However, the anticipated French surplus of wheat for 1956-57 has been wiped out by frost, and that country will be a large net importer this year. The crop in Turkey is also lower than a year ago and it is doubtful that much will be available for export unless the country imports wheat to offset its planned exports of Durum.

Smaller exporters include Sweden, Uruguay, Algeria, Morocco, Tunisia and Syria. The 1956 crops in all of these countries were somewhat larger than a year ago but it is not likely that there will be any significant increases in export availabilities in any of them this year.

Rice.--World rice production, which has been rising gradually since the end of World War II, reached an estimated all-time record of 431,800 million pounds this year. This is 7,400 million pounds larger than the previous record of 424,400 million pounds in (Table 4) 1955-56. At the estimated level, the world production this year is 10 percent above the average of 392,350 million pounds for the 5-year period ending with 1954-55, more than 22 percent above the average of 354,176 million pounds for the 5-year period immediately following World War II, and 20 percent above the prewar (1935-39) average of 359,100 million pounds.

The U. S. share of the world's total production is only 1.0 percent this year compared with 1.3 percent in 1955. Both acreage and production of rice in the U. S. declined in 1956-57, the crop being estimated at 4,521.5 million pounds from 1,602,000 acres compared with 5,353.2 million pounds from

TABLE 4.--Rice (rough): World production by areas, year beginning Aug. 1, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Country and area	Average		1955	1956 ¹	Percent 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Principal foreign exporters:	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
Burma.....	17,000.0	13,900.0	14,400.0	15,000.0	88	108
Thailand (Siam).....	14,950.7	15,281.2	16,200.0	17,300.0	116	113
Taiwan (Formosa).....	4,200.0	4,565.0	5,266.4	4,575.0	109	100
Italy.....	1,692.9	1,881.4	1,893.5	1,630.0	96	87
Egypt.....	1,496.8	1,829.3	2,887.5	3,360.0	224	184
Total ²	39,340.4	37,456.9	40,647.4	41,865.0	106	112
Principal importers:						
Japan.....	26,793.1	25,190.0	32,505.4	29,000.0	108	115
India.....	74,750.0	81,740.0	88,000.0	88,000.0	118	108
Indonesia.....	21,130.0	23,057.3	24,750.0	24,000.0	114	104
Malaya.....	1,216.0	1,453.4	1,485.5	1,550.0	127	107
Ceylon.....	700.0	1,375.9	1,600.0	1,500.0	214	109
Cuba.....	43.1	320.0	475.0	450.0	1,044	141
Total ²	124,632.2	133,136.6	148,815.9	144,500.0	116	109
Other countries ³	192,884.0	216,754.5	229,628.2	240,889.5	125	111
United States.....	2,243.4	5,002.6	5,353.2	4,521.5	202	90
Estimated world total.....	359,100.0	392,350.6	424,444.7	431,776.0	120	110
United States percent of world.....	Percent .6	Percent 1.3	Percent 1.3	Percent 1.0	--	--

¹Preliminary.

²Excluding Communist Bloc countries.

³Including Communist Bloc countries.

1,826,000 acres in 1955-56. Under the acreage allotments and market quota programs in the U. S., rice acreage in this country has been declining steadily since 1954-55.

In Asia, which accounts for about 93 percent of the world's rice, both acreage and production have been increasing. The same is true also of South America and Africa. In Europe as a whole, however, acreage and production have been declining since 1954. Most of the rice deficit and rice surplus producing countries of Asia are attempting to expand production. Some of the main rice importing countries of South-eastern Asia want to increase production through higher yields per acre, partly in the hope of reducing unit costs and partly in the hope of reducing their dependence on foreign sources of supply. Such expansion, however, is not likely to harm U. S. rice exports since it is not likely to occur at a more rapid rate than population growths.

Corn and Other Feed Grains.--World production of major feed grains (corn, oats and barley) this season reached an estimated all-time record of 330 million tons compared with the previous record of 321 million tons in 1955-56. (Table 2) These totals compare with the 1950-54 average of 286 million tons and the 1935-39 average of 261 million. Production of sorghums is not included because detailed and comparable figures are unavailable for many foreign countries.

Corn is by far the largest feed grain crop produced in the world. Oats, which formerly held second place, has been outstripped by barley on a tonnage basis since World War II. The U. S. continues as the world's major feed grain producer, accounting for 37 percent of the estimated total for corn, oats and barley in 1956-57, compared with 40 percent in 1950-54 and 34 percent during 1935-39.

To meet the postwar demand for feed grains in world markets, U. S. production was substantially expanded, especially for grain sorghums, barley and corn. Our principal competitors in world markets for these grains are Argentina and the Union of South Africa for corn; Australia and the Middle East for grain sorghums; Canada, the Middle East, Australia and Argentina for barley; and Canada and Argentina for oats.

World production of corn, our major feed grain export, totaled 6.5 billion bushels in 1956, an all-time record, compared with 6.3 billion a year ago. (Table 5) The bulk of the increase was in the U. S. and Russia. Relatively little of the Soviet crop is exported, the bulk of it being used as silage and green forage.

Corn production in Europe is down significantly from last year's record crop. Most of the decline was in the Danube Basin. Reductions in Western Europe, mainly in Italy and Spain, were largely offset by increased production in France. Asia's crop shows a small net gain over a year ago, reductions in some countries having been offset by increases in others.

With respect to competition for world corn markets, U. S. exporters are concerned mainly with 1957 export availabilities in Argentina and the Union of South Africa. While firm estimate of prospective supplies in those countries is not yet possible, since their crops will not be harvested until April-May 1957, current indications are that they are likely to be larger than a year ago.

Barley and Oats.--The world's 1957 barley crop is estimated at 3.3 billion bushels against 3.1 billion a year ago. (Table 6) The larger barley crop offsets a reduction in oats which is placed at 4.3 billion compared with 4.4 billion in 1955, mainly because of a much smaller crop in the U. S. (Table 7) The increase in barley occurred principally in Western Europe, mainly France, where reseeding of barley on winter wheat areas damaged by frost resulted in a record barley crop. France, therefore, has a large exportable surplus of barley, much of which it hopes to barter for wheat.

TABLE 5.--Corn: World production by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Country or area	Average		1955	1956	Percent 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Principal foreign exporters:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Argentina.....	302	120	152	(¹)	50	125
Union of South Africa.....	80	116	129	(¹)	156	108
Angola.....	13	13	(²)	(¹)	92	92
Total.....	395	249	291	287	73	115
Other foreign:						
Free Europe.....	378	331	386	383	101	116
Free Asia.....	287	299	310	315	110	105
Latin America ²	385	513	545	582	151	113
Africa ²	162	187	201	198	122	106
Others.....	852	829	1,305	1,406	165	170
Total.....	2,064	2,159	2,747	2,884	140	134
United States.....	2,316	3,112	3,242	3,369	145	108
Estimated world total.....	4,775	5,520	6,280	6,540	137	118
United States percent of world.....	Percent 49	Percent 56	Percent 52	Percent 52	--	--

¹Unofficial estimate included in total.

²Excludes production in any exporting country shown separately.

TABLE 6.--Barley: World production by areas, average 1935-39, annual 1955 and 1956, with comparisons

Country or area	Average		1955	1956	Percent 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Principal foreign exporters:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Canada.....	89	228	252	276	310	121
Denmark.....	53	89	101	110	208	124
France.....	53	89	123	253	477	284
Iraq.....	24	35	42	46	192	131
Syria.....	15	12	7	29	193	242
Turkey.....	96	128	147	138	144	108
Algeria.....	33	37	32	44	133	119
French Morocco.....	53	71	57	(1)	132	99
Argentina.....	23	39	44	(1)	204	121
Australia.....	12	31	40	(1)	292	113
Total.....	451	759	845	1,048	232	138
Other foreign:						
Free Europe ²	307	401	455	467	152	116
Free Asia ²	292	306	343	336	115	110
Latin America ²	15	25	26	24	160	96
Africa ²	38	40	39	43	113	108
Others.....	1,033	866	972	1,002	97	116
Total.....	1,685	1,638	1,835	1,872	111	114
United States.....	239	283	400	370	155	131
Estimated world total.....	2,375	2,680	3,080	3,290	139	123
United States percent of world.....	Percent 10	Percent 11	Percent 13	Percent 11	--	--

¹Unofficial estimate included in total.²Excludes production in any exporting country shown separately.

TABLE 7.--Oats: World production by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Country or area	Average		1955	1956	Percent 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Principal foreign exporters:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Canada.....	338	414	404	513	152	124
Argentina.....	50	56	50	(1)	100	89
Australia.....	23	42	71	(1)	261	143
Total.....	411	512	525	623	152	122
Other foreign:						
Free Europe.....	1,135	1,045	1,020	1,065	94	102
Free Asia.....	36	38	39	43	119	113
Latin America ²	12	15	14	15	125	100
Africa.....	23	23	20	20	87	87
Others.....	1,705	1,262	1,318	1,329	78	105
Total.....	2,911	2,383	2,411	2,472	85	104
United States.....	1,045	1,285	1,499	1,155	111	90
Estimated world total.....	4,367	4,180	4,435	4,250	97	102
United States percent of world.....	Percent 24	Percent 31	Percent 34	Percent 27	--	--

¹Unofficial estimate included in total.²Excludes production in any exporting country shown separately.

Canada had a moderately larger barley crop than a year ago. This, together with a large carryover, has resulted in unusually heavy supplies and export availabilities. The same is true for Canadian oats. However, the combined 1956 barley and oats crops in Argentina and Australia will be somewhat lower than a year ago, and no significant increase in export supplies is expected. On the other hand, a substantial increase is indicated in the barley export availabilities of Syria and Iraq. These may be frozen, however, until the Suez situation is settled.

Foreign Grain Production and Export Incentives

Price alone is no longer the outstanding factor affecting the competitive status of U. S. grains in world markets. Virtually all foreign grain importing countries have adopted policies aimed at the attainment of a larger measure of self-sufficiency for grains. Foreign grain exporting countries, on the other hand, have taken action to assure export outlets for their surpluses. In both instances, the overall objective is to maintain desired levels of agricultural income and satisfactory balances of foreign currencies.

A wide variety of measures have been adopted for attaining those objectives. In importing countries, they include import controls through tariffs, equalization fees, compulsory utilization of home-grown grains, foreign exchange controls and bilateral trade agreements; government import monopolies, producer subsidies for such production requisites as fertilizers, machinery, motor fuels, etc., subsidies to local flour millers, and other measures to offset the effect of relatively high guaranteed prices (Table 8) for home-grown

TABLE 8.--Grains: Support prices in specified countries, 1954 and 1955¹

Country	Wheat		Rye		Corn		Oats		Barley	
	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955
	Dol. per bu. ²	Dol. per bu. ²	Dol. per bu. ²	Dol. per bu. ²	Dol. per bu. ²	Dol. per bu. ²	Dol. per bu. ²	Dol. per bu. ²	Dol. per bu. ²	Dol. per bu. ²
United States...	2.24	2.08	1.43	1.18	1.62	1.58	0.75	0.61	1.15	0.94
Canada.....	1.40	1.40	(3)	(3)	(3)	(3)	.65	.65	.96	.96
Australia..	1.41	1.46	(3)	(3)	(3)	(3)	(3)	(3)	1.49	1.40
Argentina..	2.72	1.18	2.13	.79	2.29	1.10	1.13	.51	1.72	.68
France.....	2.64	2.64	1.85	1.85	2.61	2.61	.81	.79	1.52	1.52
Sweden.....	2.35	2.21	1.67	1.55	(3)	(3)	(3)	(3)	(3)	(3)
Uruguay....	2.95	2.51	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Turkey.....	2.91	2.91	2.27	2.27	(3)	(3)	1.14	1.14	1.72	1.72
Union of South Africa...	2.27	2.24	1.29	1.29	1.21	1.18	.88	.79	1.23	1.23
Austria....	2.61	2.61	2.43	2.43	(3)	(3)	(3)	(3)	(3)	(3)
Belgium....	2.56	2.56	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Brazil ⁴	5.28	4.35	2.05	1.28	(3)	(3)	(3)	(3)	(3)	(3)
West Germany..	2.72	2.72	2.30	2.43	(3)	(3)	1.09	1.09	1.94	1.94
India.....	1.53	1.53	(3)	(3)	(3)	.79	(3)	(3)	(3)	(3)
Italy.....	2.96	2.96	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Japan.....	2.61	2.59	(3)	(3)	(3)	(3)	(3)	(3)	1.75	1.75
Pakistan...	2.02	1.34	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
United Kingdom..	2.30	2.29	1.76	1.63	(3)	(3)	.96	.93	1.53	1.48
Switzerland	4.19	4.19	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)

¹Fixed or average guaranteed prices during base periods for standard grades.

²Converted at official exchange rates per U. S. dollar in each country except Brazil. Reduction in 1955 price in Argentina and Brazil due to exchange devaluation.

³No guaranteed price.

⁴Price varies in terms of the dollar/cruzeiro exchange rate. At the current rate for U. S. imports, the equivalent support price for wheat would be \$2.84 per bushel.

grains. The net effect is to make deficit-producing countries less dependent on foreign sources of supply, even though imported grains could be bought at substantially lower prices.

In exporting countries, such measures consist mainly of steps to aid the sale of surpluses abroad while at the same time assuring returns to growers that will not fall below a minimum guaranteed for the entire crop. They include control or monopolization of exports by state agencies, sales on special terms or at favorable exchange rates, barter and other bilateral agreements, and more or less indirect subsidies through arrangements for absorption of losses by Governments on export sales.

In the absence of definite steps to reduce acreage, these measures tend to maintain more export supplies than the world needs. Measures taken to facilitate grain exports in Canada, Australia, Argentina, France, Sweden and the Union of South Africa are described in Inserts A and B. Several other exporting countries, notably Uruguay and Turkey, have similar programs.

The 1955-56 price guaranteed to wheat growers in Uruguay for standard quality wheat was fixed at \$2.51 per bushel for December 1955 deliveries at Montevideo. Monthly price advances were granted to cover storage costs until October, when the fixed price became \$2.72 per bushel. The producer price is guaranteed by the Bank of the Republic which buys all wheat offered by producers. The Bank sells flour millers the quantities of wheat needed for domestic consumption and sells surplus wheat to licensed exporters at prevailing world prices.

The Government finances losses on wheat exports from exchange earnings resulting from a system of multiple exchange rates. Present policy is directed at reduction of production costs through encouragement of improved cultural practices. To that end, the Government provides a subsidy on fertilizers amounting to about 30 percent of the list price, and maintains favorable exchange rates on imports of agricultural machinery and other supplies needed by farmers. A large part of Uruguay's surplus wheat is shipped to Brazil under terms of a bilateral trade agreement with that country.

The Turkish Government also fixes the price at which Toprak (the Soils Products Office of the Government) guarantees to buy all grades of wheat, rye, barley and oats offered by farmers. Toprak resells in deficit areas of the country, in cities, and to Turkish military establishments. It has a monopoly of grain exportation. Domestic prices generally are above world market levels. Losses sustained on exports are guaranteed by the national treasury.

Trends in Foreign and U. S. Grain Exports

World exports of grain and grain products, which have been expanding steadily since the end of World War II, reached an estimated total of 48.9 million long tons in 1955-56. (Table 9). During the first five years after the war they averaged 36.3 million tons annually compared with an average of 40.1 million during the 5-year period immediately preceding the war.

The reduction in 1945-49 average compared with that of 1935-39 was due to greatly reduced world exports of rice and feed grains during the immediate postwar years. While rice exports have shown a great increase since 1945-49 they are still much below the prewar average. World bread and feed grain exports, on the other hand, now exceed both the prewar and postwar averages. The U. S. share of the world's food and feed grain exports was 36 percent in 1955-56 against 41 percent in 1945-49 and 7 percent in 1934-38.

U. S. World's Largest Grain Exporter.--On a combined tonnage basis the U. S. is definitely the world's largest exporter of food and feed grains. During 1955-56, our exports exceeded 17 million long tons (grain equivalent) compared with about 12 million tons in 1954-55, an increase of almost 50 percent. (Table 10).

Insert B.- CORN: Foreign Government Measures Relating to
Production and Exports, 1956

Type of Measure	Argentina	Union of South Africa
1. Price support.....	For the 1955 crop farmers are guaranteed a basic price of 70 pesos per 100 kg. (\$1.10 per bushel) free alongside elevators in ocean ports for grain of specified quality. Adjustments are made in price to allow for variations in quality. No acreage or production controls. Official price applies only to Government purchases. The price guarantee for the 1956 crop is 80 pesos per 100 kg. (\$1.26 per bushel).	The Corn Industry Control Board each marketing season (May-April) fixes prices farmers are paid for 14 classes and grades of corn. Price for best grades (White Dent No. 1 and Yellow Flint No. 1) for 1956-57, 29s. 6d. per 200 pound bag (\$1.15 per bushel) f.o.b. either producer's nearest railway station or siding or buyer's premises or nearest railway station or siding. Average price for 14 classes or grades - 28s. 1d. per 200 pound bag (\$1.09 per bushel). No production or acreage controls. Prices apply to entire commercial crop.
2. Agricultural credit.....	No information on this item.	Government loans available in certain districts to cover crop failure. Loans also available for land purchase, construction of buildings and fences and increasing the water supply. Also grants, subsidies and loans to farmers in soil conservation districts.
3. Tax benefits to producers.....	There are no tax refunds.	None except certain benefits to farm cooperatives.
4. Production requisites.....	No information on this item.	Government subsidizes purchases of fertilizers and jute bags. It also contributes 75 percent towards transportation costs of fertilizers.
5. Marketing and warehousing.....	The National Grain Board (JNDG) is prepared to buy all of the corn offered to it by growers at the guaranteed minimum price. Its purchasing is done through cooperatives which pay the guaranteed minimum price less handling and service costs in moving the corn to elevators in port terminals. Private traders also may buy corn from growers, but only such quantities as they wish to sell for domestic consumption. The prices they pay for such corn is determined by bargaining with growers. There is no control over the prices at which private traders may resell corn for domestic consumption. Corn exporting is done by the Government and by private traders. The latter, however, must buy corn for that purpose from JNDG which sells to the highest bidder. The Government owns about two-thirds of the grain storage capacity in the country, including all export storage capacity in ports, and it controls most of the privately-owned facilities.	The Corn Industry Control Board, operating through its agents (cooperatives, millers and traders), is the sole legal buyer of corn grown in the commercial producing areas which account for 95 percent of the crop. Farmers sell to the agents of the Board at the guaranteed prices. The corn thus becomes the property of the Board which reimburses its agents to cover the purchase prices plus prescribed allowances for handling, storage and other services. The Board sells corn for domestic consumption directly to millers, traders and other buyers at fixed prices. The Board also fixes maximum prices at which millers and traders may resell corn and corn products for domestic consumption. The Board's selling prices are not high enough to cover its total costs which include not only the guaranteed producer price and handling and storage costs but also an amount which it must pay into a stabilization fund. The difference is offset by a Government subsidy. Exporting is done entirely by licensed private traders, but they must buy the corn from the Board on a tender basis f.o.b. South African ports.
6. Transportation rates.....	There are no special freight rates.	Board gets rebate from railroads of about 3s. 10d. per 200 pound bag (\$1.15 per bushel) against transportation rates on corn and corn products.
7. Export incentives and deterrents.....	Support prices for corn were increased to encourage increased production for export. Export exchange rate liberalized for same purpose. However JNDG continues to control all supplies for export. On Government to Government deals it is the actual exporter, although it may rely on long-established private trading institutions to implement its export program. The balance of the exports is handled entirely by private traders, but they must buy the corn from JNDG which sells to the highest bidder. In October, 1955, the foreign exchange rate for corn exports was changed from 5 to 18 pesos to the dollar, but with the Government retaining 10 percent of the exchange earnings for its National Recovery Fund. There is also an 8 percent ad valorem tax on all exports. A multilateral trade agreement has been negotiated with 9 European Countries, under which payments will be made in transferable currencies. This is expected to facilitate Argentine corn exports.	No export bonuses, taxes, quotas, or direct subsidies but Board's prices to exporters are such as to permit exportation at a profit. The Board sells corn f.a.s. ports for export by private traders. Profits accruing to the Board from its sales are deposited in a stabilization fund which is drawn upon, whenever necessary, to cover losses which the Board might sustain. Various producer assessments and Government contributions also go into the stabilization fund.
8. Long term (more than one year)..... guaranteed purchase arrangements	No information on this item.	No information on this item.
9. Bilateral trade agreements.....	A 3-year bilateral agreement with West Germany, effective August 15, 1954, provides for exports by Argentina of 400,000 metric tons of fodder grains, including corn, annually; a 3-year agreement with Finland beginning February 22, 1955, and a 5-year agreement with Denmark beginning March 5, 1955, call for Argentine corn exports to those countries but quantities are not specified.	A barter agreement with Egypt signed in March, 1956, provides for exports by South Africa of 50,000 tons (1,786,000 bushels) corn, valued at \$2,427,000 in exchange for 25,000 tons rice, of equal value, within three months.
10. Preferential tariffs and..... import quota treatment	See item 9 for foreign import quotas.	See item 9 for foreign import quotas.

TABLE 9.--Specified grains: United States and world exports, year beginning July 1, specified averages 1934-54, annual 1954 and 1955

Period and source	Bread grains		Milled rice ¹		Feed grains		All grains	
	Total	Share	Total	Share	Total	Share	Total	Share
1934-38:	1,000 long tons	Percent	1,000 long tons	Percent	1,000 long tons	Percent	1,000 long tons	Percent
United States.....	1,552	8.6	105	1.3	1,223	8.6	2,880	7.2
All others.....	16,557	91.4	7,763	98.7	12,949	91.4	37,268	92.8
World.....	18,109	100.0	7,868	100.0	14,172	100.0	40,148	100.0
1945-49:								
United States.....	11,242	45.8	430	14.0	3,139	36.0	14,811	40.8
All others.....	13,305	54.2	2,631	86.0	5,588	69.0	21,524	59.2
World.....	24,547	100.0	3,061	100.0	8,727	100.0	36,335	100.0
1950-54:								
United States.....	8,902	33.0	620	13.3	4,467	34.1	13,989	31.2
All others.....	18,091	67.0	4,056	86.7	8,650	65.9	30,777	68.8
World.....	26,973	100.0	4,676	100.0	13,117	100.0	44,766	100.0
1954:								
United States.....	7,423	27.4	508	10.4	4,068	29.8	11,999	26.3
All others.....	19,703	72.6	4,351	89.6	9,592	70.2	33,646	73.7
World.....	27,126	100.0	4,859	100.0	13,660	100.0	45,645	100.0
1955: ²								
United States.....	9,306	33.2	937	16.9	7,509	49.1	17,752	36.3
All others.....	18,723	66.8	4,599	83.1	7,785	50.9	31,107	63.7
World.....	28,029	100.0	5,536	100.0	15,294	100.0	48,859	100.0

¹Averages are for calendar years 1936-40, 1946-50 and 1951-55. Annual figures are for calendar 1955 and 1956.

²Preliminary.

TABLE 10.--Grains and grain products: United States exports, year beginning July 1, specified averages 1934-54, annual 1954 and 1955

Grain	Average			1954-55	1955-56 ⁴
	1934-38	1945-49	1950-54		
Food grains:	1,000 long tons	1,000 long tons	1,000 long tons	1,000 long tons	1,000 long tons
Wheat.....	1,514	11,141	8,833	7,348	9,130
Rye.....	38	101	69	75	176
Rice ²	399	406	617	440	535
Total.....	1,651	11,648	9,519	7,863	9,841
Coarse grains:					
Corn.....	947	1,921	2,611	2,043	3,081
Oats.....	64	304	98	220	415
Barley.....	208	433	729	929	2,195
Sorghums.....	4	481	1,029	876	1,818
Total.....	1,223	3,139	4,467	4,068	7,509
Total all grains.....	2,874	14,787	13,986	11,931	17,350

¹Includes flour not wholly of U. S. wheat.

²Rice exports are on an August-July year.

³Average for 1935-36 through 1939-40.

⁴Preliminary. Does not include private donations which are not reported or shown separately by the Bureau of the Census.

At the indicated level, our 1955-56 exports were close to the all-time record of 18.3 million tons in 1951-52, when the quantity moved into export channels by the U. S. was the largest ever reported by any one country in a single year.

The upward trend in U. S. food and feed grain exports in recent years, despite increased export availabilities in major exporting countries and continued governmental encouragement for an expansion in production in importing countries, is due to several factors. Outstanding were the opportunities for moving grain into export channels under special export programs authorized by Congress, increased dollar earnings in several foreign countries, and increased feed grain requirements abroad as a result of a continued upward trend in livestock numbers and in the quantities of feedstuffs fed per animal unit.

While U. S. wheat and flour exports in 1955-56 increased by approximately 24 percent compared with those for the preceding year, the outstanding feature of the trade for the year was the large increase in exports of feed grains. Exports of the latter reached a total of 7.5 million long tons, an all-time record and an increase of about 85 percent compared with the 4.1 million long tons sold abroad in 1954-55.

World rice exports have expanded rapidly since the end of World War II but are still below the prewar average. Exports in calendar 1956 are tentatively estimated at 12.4 billion pounds, or 18 percent larger than the 1951-55 average of 10.5 billion and 7.5 percent larger than the 1946-50 average 7.1 billion. However, they are still 30 percent under the 1936-40 average of 17.6 billion.

The U. S. share of the 1956 total was 17 percent, compared with 13 percent in 1951-55 and only 1 percent in 1936-40. Burma, Thailand and the U. S. in 1956 accounted for approximately 70 percent of world's total rice exports. The proportion shipped by Burma and Thailand was about one-third and one-fifth of the total respectively. Other foreign exporting countries, including Taiwan, Italy, Spain, Egypt and Communist China had less difficulty in disposing of their surpluses in 1956 than in 1955.

Destination of U. S. Grain Exports.--Every Free World country looks to the U. S. each year for at least a part of its grain import requirements. European countries provided the outlet for 62 percent of the U. S. bread and feed grains exports in 1955-56 and Asiatic markets for 21 percent. Most of the balance went to Western Hemisphere markets. U. S. rice exports went mainly to Asia and the Western Hemisphere. The competition which U. S. grain exporters are meeting in world markets is shown in Tables 11 through 16.

U. S. Grain Export Prospects for 1956-57

World exports of wheat and flour this season are expected to exceed the estimated total of 27.1 million long tons (grain equivalent) exported in 1955-56, perhaps going as high as the all-time record of 28.6 million tons set in 1951-52. Factors supporting this conclusion include higher economic activity and improved purchasing power in importing countries, smaller crops in Europe, efforts on the part of many countries to improve their nutritional standards and stock piling.

World rice exports in 1957 will also continue at a high level. On the other hand, world import requirements for feed grains are expected to be down from last year's estimated total of 15.3 million long tons, mainly because of increased feed supplies in Europe this year.

U. S. Wheat Exports Expected to Increase in 1956-57.--U. S. wheat and flour exports in 1956-57 should reach at least 415 million bushels, 74 million more than a year ago. Exports during the first five months (July-November) of this season already amount to 195 million bushels, compared with 101 million bushels in the same period a year ago.

TABLE 11.--Rice: World exports and United States share, calendar year, average
1936-40 and 1951-55, annual 1955 and 1956, with comparisons

Country or area	Average		1955	1956 ¹	Percent 1956 is of--	
	1936-40	1951-55			1936-40	1951-55
Foreign exporting countries:	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
Burma.....	6,504	2,969	3,743	4,200	65	141
Thailand (Siam).....	2,920	2,978	2,708	2,650	91	89
Indochina.....	3,233	553	245	200	6	36
Taiwan (Formosa).....	1,427	218	419	330	23	151
Italy.....	336	489	374	525	156	107
Egypt.....	279	249	409	335	120	135
Spain.....	12	98	110	180	1,500	184
Others.....	2,652	1,043	1,094	1,100	41	105
Subtotal ²	17,363	8,597	9,102	9,520	55	111
United States.....	235	1,388	1,138	2,100	894	151
World total ³	17,625	10,475	10,885	12,400	70	118
United States percent of world.....	Percent 1	Percent 13	Percent 11	Percent 17	--	--

¹Estimates.

²Excluding Communist Bloc countries.

³Including Communist Bloc countries.

TABLE 12.--Wheat: World exports and United States share, year beginning July 1, average
1934-38 and 1950-54, annual 1954 and 1955, with comparisons

Country or area	Average		1954-55	1955- 56 ¹	Percent 1955-56 is of--	
	1934-38	1950-54			1934-38	1950-54
Foreign exporting countries:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Canada.....	174.9	300.3	253.4	289.0	165	96
Australia.....	106.2	98.2	94.0	105.0	99	107
Argentina.....	122.5	81.0	132.0	115.0	95	142
France.....	20.9	40.1	88.0	84.5	405	211
Turkey.....	3.0	15.5	15.0	10.0	336	65
Uruguay.....	3.3	7.0	18.2	15.4	469	221
Sweden.....	2.2	6.5	9.2	3.3	151	51
Algeria.....	8.8	7.2	1.0	6.2	71	87
French Morocco.....	4.0	3.0	7.8	7.4	182	241
Tunisia.....	4.2	6.4	7.7	2.2	52	35
Syria.....	.9	5.8	6.9	.5	49	8
Others.....	142.3	67.3	63.9	32.7	23	49
Subtotal.....	593.2	638.3	697.1	671.2	113	105
United States ²	46.1	329.7	273.9	340.8	739	103
World total.....	639.3	968.0	971.0	1,012.0	158	105
United States percent of world.....	Percent 7	Percent 34	Percent 28	Percent 34	--	--

¹Preliminary estimates in some instances.

²Excludes exports of flour milled in bond.

TABLE 13.--Rye: World exports and United States share, year beginning July 1, average 1934-38 and 1950-54, annual 1954 and 1955, with comparisons

Country or area	Average		1954-55	1955 ¹	Percent 1955-56 is of--	
	1934-38	1950-54			1934-38	1950-54
Foreign exporting countries:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Canada.....	1.8	10.1	7.9	9.8	548	97
Argentina.....	4.8	13.1	10.4	8.8	182	67
Netherlands.....	1.6	.8	.8	1.5	91	185
Sweden.....	1.1	1.5	3.7	(²)	4	3
Turkey.....	.8	1.8	.5	--	--	--
Others.....	27.8	11.7	18.3	10.5	38	91
Total.....	37.9	39.0	41.6	30.6	81	78
United States.....	1.5	2.8	3.0	7.0	461	254
World total.....	39.4	41.8	44.6	37.6	96	90
United States percent of world.....	Percent 4	Percent 7	Percent 7	Percent 19	--	--

¹Preliminary estimates in some instances.

²Less than 100,000 bushels.

TABLE 14.--Corn: World exports and United States share, year beginning July 1, average 1934-38 and 1950-54, annual 1954 and 1955, with comparisons

Country or area	Average		1954-55	1955-56 ¹	Percent 1955-56 is of--	
	1934-38	1950-54			1934-38	1950-54
Foreign exporting countries:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Argentina.....	249.8	35.0	68.4	17.0	7	49
Union of South Africa.....	13.1	8.0	22.1	31.0	236	388
Brazil.....	1.8	2.0	3.5	4.0	219	200
Eastern Europe.....	28.5	17.0	4.2	14.0	49	82
Others.....	70.5	26.0	42.4	34.0	48	131
Total.....	363.7	88.0	140.6	100.0	275	114
United States.....	37.9	104.0	81.7	123.0	325	118
World total.....	401.6	192.0	222.3	223.0	56	116
United States percent of world.....	Percent 9	Percent 54	Percent 37	Percent 55	--	--

¹Preliminary estimates in some instances.

TABLE 15.--Oats: World exports and United States share, year beginning July 1, average 1934-38 and 1950-54, annual 1954 and 1955, with comparisons

Country or area	Average		1954	1955 ¹	Percent 1955-56 is of--	
	1934-38	1950-54			1934-38	1950-54
Foreign exporting countries:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Canada.....	12.8	60.2	28.4	7.7	60	13
Australia.....	.5	10.9	4.6	10.0	2,000	92
Argentina.....	25.3	18.5	21.4	12.4	49	67
Others.....	18.9	18.9	13.0	13.9	74	74
Total.....	57.5	108.5	67.4	44.0	77	41
United States.....	4.5	6.9	15.4	29.1	645	424
World total.....	62.0	115.4	82.8	73.1	118	63
United States percent of world.....	Percent 7	Percent 6	Percent 19	Percent 40	--	--

¹Preliminary estimates in some instances.

TABLE 16.--Barley: World exports and United States share, year beginning July 1, average 1934-38 and 1950-54, annual 1954 and 1955, with comparisons

Country or area	Average		1954	1955 ¹	Percent 1955-56 is of--	
	1934-38	1950-54			1934-38	1950-54
Foreign exporting countries:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Canada.....	16.2	78.0	80.3	67.0	413	86
Australia.....	3.4	19.0	19.6	13.0	340	68
Argentina.....	13.0	16.0	17.7	29.0	223	181
Eastern Europe.....	43.2	17.0	6.5	9.0	21	53
French North Africa.....	9.0	25.0	29.7	13.0	144	52
Turkey.....	4.5	4.0	.9	9.0	200	225
Iraq.....	9.6	20.0	24.5	23.0	240	115
Others.....	15.4	38.0	50.3	49.0	319	129
Total.....	114.3	217.0	229.5	212.0	186	98
United States.....	9.7	340.0	43.5	102.0	1,053	300
World total.....	124.0	251.0	273.0	314.0	253	125
United States percent of world.....	Percent 8	Percent 14	Percent 16	Percent 32	--	--

¹Preliminary estimates in some instances.

Competition which U. S. wheat and flour exporters face in foreign markets can be measured only in terms of quantities they are able to sell abroad in competition with the wheat and flour produced by the importing countries themselves, and in competition with the wheat and flour imported from competing exporting countries. Especially significant in that connection are the reduction and inferior milling quality of this year's wheat crop in Europe, the lack of export availabilities this year in France and Turkey, and the probability that many European importing countries will stockpile.

Non-European import requirements are also likely to be higher than a year ago, especially in the Far East. Equally pertinent, however, is the fact that exportable supplies of wheat in Canada are at an all-time record, and those in Argentina and Australia are not expected to be much lower than a year ago.

Record U. S. Rice Exports Expected.--The demand for imported rice in deficit countries in calendar 1957 will continue at the high level of 1956 despite a record 1956-57 world rice crop. The production increase is not expected to reduce world import demand, since many importing countries are building up reserve stocks.

Indications are that U. S. exports will not only be greatly above the estimated 2.1 billion pounds exported in calendar 1956, but also large enough to permit the complete liquidation of stocks in CCC inventory from the 1953, '54 and '55 crops. A large part of the exports will be to Pakistan, Indonesia and India under Title I of Public Law 480.

All of the accumulated export surpluses of Asian rice that competed with U. S. rice in 1955 and early in 1956 have either been exported or committed for export. Carryover stocks in Burma and Thailand have been disposed of chiefly through (1) lowering of export prices, and (2) negotiation of barter agreements with importing countries. Virtually all of the August 1, 1956, carryover in the U. S. has been committed for export under P. L. 480. As a result, the world's exportable supplies of rice in 1957 will be available only from the new crop.

Rice in the U. S., Italy, Egypt, Spain and Communist China has already been harvested and is moving into market channels. In Burma, Thailand and Indochina, where harvesting takes place in December, the new crop is only now beginning to enter the market.

Despite a big rice crop in Burma, exportable supplies in that country are expected to amount to only about 3,300 million pounds compared with the January 1, 1956, surplus of 4,200 million pounds. The reduction is due to the disposition of all carryover stocks. A part of the new crop was even committed for export under 1956 sales. About 20 percent of Burma's 1956 export commitments were made under barter agreements with Iron Curtain countries. Burma found it difficult to fulfill those commitments in 1956, but efforts will be made to do so in 1957.

Thailand's 1956-57 rice crop is expected to supply from 3,000 to 3,300 million pounds for export in 1957 compared with only 2,600 million pounds in 1956. The new crop in Indochina is better than in 1955-56, and that area may be able to furnish its normal markets with relatively small quantities in 1957. This is dependent upon the political situation in South Vietnam and Cambodia.

Communist China should be able, if it desires, to resume rice exports in 1957 to Ceylon. It has a long-term contract for export of 600 million pounds of milled rice to that market annually. On the other hand, it is doubtful if Taiwan will have as much rice to export in 1957 as it had from its unusually large crop in 1956.

Egypt and Spain have record crops but export supplies will not be greatly different from those of 1956. It will not be known until mid-1957 whether Brazil will have any rice for export in late 1957. In any event, no very large

volume is expected. A large part of Iran's export availabilities of around 60 million pounds are scheduled for shipment to the U. S. S. R.

U. S. Feed Grain Exports Expected to Decline in 1956-57.--Exports of U. S. feed grains this year are expected to be 20 to 25 percent under last year's all-time record of 7.5 million long tons. The reduction will be due to the decline in European demand, the major export market for U. S. feed grains, as a result of rather heavy supplies of non-millable wheat, increased European plantings of feed grains to replace winter-killed wheat and an unprecedented exportable surplus of barley in France.

In addition, competition for export outlets will be especially keen this year because of unusually heavy export availabilities of barley and oats in Canada, and prospects for larger exportable supplies of corn in Argentina and the Union of South Africa. Moreover, exportable supplies of oats and barley in Argentina and Australia are not expected to show any significant reduction.

There are indications of increased export availabilities of barley in the Middle East, but these will probably be kept out of the market until the political situation clears up in that area.

Even if U. S. feed grain exports in 1956-57 are reduced by 20 to 25 percent compared with the record 1955-56 level, they should still be higher than in any of the preceding five years. In 1957-58, U. S. feed grain exporters probably will not face the unusual factors which resulted in a reduction in European import requirements this year. While there will be keen competition in filling the growing demand in world markets, especially if Argentine corn exports get back to normal levels, the U. S. should be able to export from 4.5 to 5 million long tons annually if prices are competitive.

COTTON

The highlight of the current cotton year was the U. S. announcement that Commodity Credit Corporation stocks would be sold for export delivery after August 1, 1956, at prices competitive with foreign-grown cottons. This is the most important single factor contributing to the improved competitive position of U. S. cotton and the resultant favorable cotton export outlook for 1956-57.

Economic aid programs of International Cooperation Administration and sales for foreign currency under P. L. 480 stimulate cotton exports. In addition, expansion of foreign production appears to have been checked, and foreign free-world production is estimated at about the same level as that of a year ago. To complete the favorable export picture for 1956-57, it appears that cotton consumption in the principal importing countries will rise nearly a million bales above last year's record level.

Competitive Cotton Pricing

The U. S. export sales policy for cotton owned by CCC was responsible for an abrupt shift in cotton's competitive position in foreign markets. It eliminated the price disadvantage of U. S. cotton compared with foreign cotton which existed during the last half of the 1954-55 season and the first half of the 1955-56 season. The limited export sales program applying to one million bales of short staple cotton that was begun January 1, 1956, was a contributing factor; but the full impact of the export sales policy was not actually realized until the first sales of all grades and staples of cotton were made in June 1956 under Public Law 540.

The cotton export sales policy relating to CCC stocks not only improved the price position of U. S. cotton compared with foreign cotton but wiped out the price advantage that rayon staple fiber had held over U. S. cotton in West

Germany and France, brought prices of the two fibers in the Benelux countries nearer in line with each other, and reduced the spread between U. S. Middling 1-1/32" cotton and rayon staple fiber to not more than 10 percent in Italy and England.

After March 1955 and until early 1956, most foreign-grown cottons were available to Western European spinners at prices as much as 8 cents a pound below those of U. S. cotton and were therefore in a much stronger competitive price position with rayon staple fiber than U. S. cotton.

Beginning in June 1956 this situation changed, since all qualities of U. S. cotton were sold at prices competitive with foreign growths. With present price relationships between cotton and rayon staple fiber in Western Europe, all cotton, both foreign and U. S., c.i.f. European ports, is now in a strong competitive price position with rayon in all of the major textile producing countries except Spain. In fact, in West Germany where rayon staple fiber prices have not been reduced from the price quotations that have prevailed over the last several years, U. S. Middling 1-1/-32" cotton, on the basis of September, 1956 quotations, had a price advantage over rayon staple of 1.7 cents a pound. Even with a slight reduction in rayon staple prices in France, U. S. Middling 1-1/32" cotton has a price advantage of 3 cents a pound.

On the basis of September 1956 quotations, rayon staple still had a price advantage of 3.2 cents per pound in Italy and 2.2 cents a pound in England. In Spain, of course, where all raw fiber prices are set by the government, rayon staple fiber still had a price advantage over cotton of about 17.6 cents a pound.

The cotton export sales policy initiated by the U. S. Government in 1956 will influence price relationships between rayon and cotton for the remainder of the current crop year, and perhaps far in the future. It is too early to know how foreign rayon producers will react to lower raw cotton prices since insufficient information is available on rayon staple fiber production costs to predict to what extent rayon staple fiber producers could reduce selling prices without running into the red. It is safe to conclude, however, that these producers are under pressure to reduce sales prices to meet lower cotton prices. Italy and France were the first countries to respond to lower cotton prices by reducing rayon staple prices in the summer of 1956.

World Trade Trends

World trade in cotton, which has been remarkably stable over the past 7 years at the immediate pre-World War II level of from 12 to 13 million bales annually, is expected to increase to 14.5 million bales during the crop year 1956-57 compared to last year's volume of 12.8 million bales unless new factors reverse the favorable outlook (Table 17).

The U. S. is in a strong export position because of: (1) The competitive price of U. S. cotton resulting from the U. S. Government export sales policy; (2) The expected higher world cotton consumption; and (3) the lack of increase in total world production.

If the actions of the principal cotton exporting countries, foreign as well as the U. S., maintain stability in the world cotton market in the 1956-57 season, U. S. exports probably will be nearly three times last year's low of 2.3 million bales. This will represent 45 percent of the expected world export trade compared with the postwar average of 37 percent.

Special U. S. Government programs have contributed to current optimism regarding the volume of U. S. export sales in 1956-57. Export financing for 1.7 million bales is expected under P. L. 480 agreements in the current year. In addition, there will be about 400,000 bales financed through Export-Import Bank loans, and the economic aid and defense support programs of ICA may provide for the financing of another 700,000 bales in 1956-57. The importance

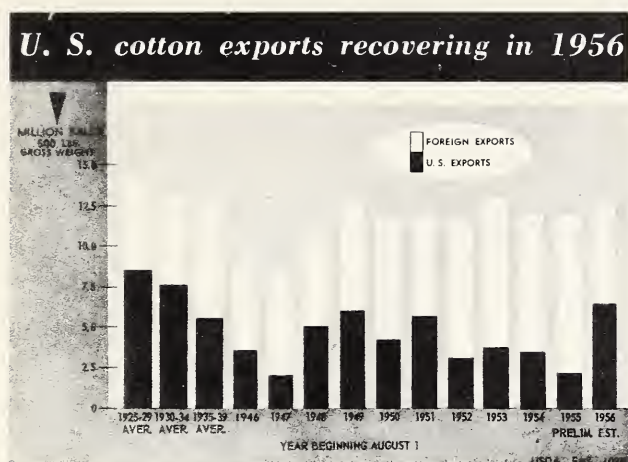


Fig. 4

of special government programs cannot be over-estimated in the improved competitive position of U. S. cotton. These programs enable the purchase of U. S. cotton by many countries which otherwise would be unable to buy U. S. cotton because they do not have sufficient dollar purchasing power.

U. S. cotton exports to traditional customers of Western Europe dropped drastically in 1955-56 (Table 18). For example, U. S. exports in 1955-56, compared with those in 1954-55, were down 46 percent to the United Kingdom, 56 percent to France, 60 percent to Italy, and 76 percent to West Germany. Failure of U. S. cotton to

meet the price competition of foreign growths was the major cause of the drastic drop in export trade during this season.

In the 1955-56 season, Japan was the only traditional foreign buyer of U. S. cotton that continued to take its historical share of U. S. cotton exports. Special

TABLE 17.--Cotton: Exports by country of origin, year beginning Aug. 1, average 1934-38 and 1950-54, annual 1954 and 1955, with comparisons

Areas	Average		1954	1955 ¹	Percentage change 1955 over--	
	1934-38	1950-54			1934-38	1950-54
Traditional cotton areas:	1000 bales	1000 bales	1000 bales	1000 bales	Percent	Percent
Egypt.....	1,747	1,347	1,081	1,433	-18	+6
India.....	² 2,746	174	207	550	² -54	+216
Pakistan.....	(³)	952	634	723	(³)	-24
Brazil.....	1,065	726	1,036	815	-23	+12
Peru.....	337	343	330	470	+39	+37
Total.....	5,895	3,542	3,288	3,991	-32	+13
New producing areas:						
Near East ⁴	184	699	832	770	+318	+10
South America ⁵	174	214	148	42	-76	-80
Africa ⁶	856	1,353	1,384	1,750	+104	+129
Central America ⁷	83	103	165	392	(⁹)	+281
Mexico.....	105	982	1,253	2,027	+1,830	+106
Total.....	1,322	3,351	3,782	4,981	+277	+49
Iron Curtain Countries.....	294	1,046	1,400	1,150	+291	+10
United States.....	5,296	4,134	3,585	2,321	-56	-44
Other countries.....	85	146	162	257	+202	+76
World total.....	12,892	12,219	12,217	12,700	-1	+4
	Percent	Percent	Percent	Percent		
United States percent of world.....	41.1	33.8	29.3	18.3	--	--

¹Preliminary.

²Includes Pakistan.

³Included with India.

⁴Includes Iran, Iraq, Syria, Turkey, Afghanistan, and Aden.

⁵Excludes Brazil and Peru.

⁶Excludes Egypt.

⁷El Salvador, Guatemala and Nicaragua.

⁸Nicaragua only.

⁹1934-1938 exports negligible; therefore not comparable with 1955 exports.

TABLE 18.--Cotton: Imports into specified countries, year beginning Aug. 1, average 1934-38 and 1950-54, annual 1954 and 1955, with comparisons

Country	Average		1954	1955 ¹	Percentage change 1955 over--	
	1934-38	1950-54			1934-38	1950-54
Japan:	1000 bales	1000 bales	1000 bales	1000 bales	Percent	Percent
Total.....	3,396	2,023	2,037	2,376	-30	+17
United States.....	1,312	875	753	768	-41	-12
U. S. as percentage of total.....	39	43	37	32	--	--
United Kingdom:						
Total.....	2,850	1,666	1,481	1,483	-48	-11
United States.....	1,108	1,466	1,528	1,287	-74	-38
U. S. as percentage of total.....	39	28	36	19	--	--
France:						
Total.....	1,192	1,232	1,335	1,221	+2	-1
United States.....	606	448	443	195	-68	-56
U. S. as percentage of total.....	51	36	33	16	--	--
Germany, West:						
Total.....	² 1,175	1,075	1,211	1,294	+10	+20
United States.....	301	398	381	90	-70	-77
U. S. as percentage of total.....	26	37	31	7		
Italy:						
Total.....	704	805	655	693	-2	-14
United States.....	416	403	251	121	-71	-70
U. S. as percentage of total.....	59	50	38	17	--	--
Belgium and Netherlands:						
Total.....	³ 727	735	792	724	0	-1
United States.....	³ 238	278	186	53	-78	-81
U. S. as percentage of total.....	33	38	23	7	--	--
Spain:						
Total.....	³ 4452	328	330	216	-52	-34
United States.....	³ 277	¹ 186	¹ 206	¹ 146	-47	-22
U. S. as percentage of total.....	61	57	62	68	--	--
Total Western Europe.....	⁵ 7,905	6,789	6,758	6,580	-17	-3
Total United States.....	⁵ 3,337	2,404	2,202	1,005	-70	-58
U. S. as percentage of Western Europe.....	42	35	33	15	--	--

¹Includes some cotton trans-shipped from Mexico.

²Germany.

³Calendar year.

⁴2-year average, 1934-35.

⁵Calendar and crop year data.

U. S. Government export programs were largely responsible for holding the Japanese market, but unfortunately were not enough to hold the major Western European markets.

In many of the important cotton producing countries, the governments employ measures to encourage production of cotton, and especially cotton exports. A common incentive to encourage exports is the broad bilateral trade agreement which includes cotton along with other crops. Another incentive frequently used is the manipulation of multiple exchange conversion rates; but in many cases this manipulation also tends to depress the competitive position of cotton in the domestic economy. Such is the case in Brazil. The extent to which foreign countries employ special measures to encourage the export of cotton is considerably less than for other agricultural commodities such as tobacco and grains (Insert C).

World Production Trends

The first estimate of foreign cotton production this season indicates a crop of about 25.7 million bales, which is about 900,000 bales above the final

[illegible]

production estimate for last year. Most of this increase, however, will be in Russia and Communist China (Table 19).

Price uncertainty and the instability that it created in the world cotton market throughout 1955-56 did not cause foreign producers to cut cotton production except in Central America and possibly to a very minor extent in Mexico.

The lack of suitable and profitable crop alternatives is a major reason for the relatively minor response of producers throughout South America, Africa, the Middle East, Pakistan, and Mexico to a 20 to 25 percent reduction in the world price of cotton. Central America has been considered a marginal area in terms of the suitability of natural resources and climate for cotton production. Also, Central America is an area where cash costs represent a higher percentage of total production costs as compared with other foreign producing areas. This situation no doubt has dampened enthusiasm for cotton production and further expansion at this time.

On-the-spot investigations of the cotton production potential of the Middle East countries -- Turkey, Syria, Iran, and Iraq -- substantiated previous U. S. Department of Agriculture appraisals that cotton production had strong staying power in this part of the world; first, because cotton is far more profitable than competing crops; and second, because cotton makes more intensive use of the physical and human resources available for agriculture than do alternative crops.

First-hand investigations of the cotton production potentials of Greece, Pakistan, and India also verified previous impressions of the strong staying power of cotton in these countries and led to the conclusion that even further

TABLE 19.--Cotton: World production by areas, year beginning Aug. 1, average 1934-38 and 1950-54, annual 1955 and 1956, with comparisons

Areas	Average		1955	1956 ¹	Net change 1956 as compared to--	
	1934-38	1950-54			1934-38	1950-54
Traditional cotton areas:	1000 bales	1000 bales	1000 bales	1000 bales	1000 bales	1000 bales
Egypt.....	1,846	1,705	1,535	1,523	-323	-182
India.....	² 5,168	3,397	3,800	4,200	+432	+803
Pakistan.....	(³)	1,321	1,420	1,400	(³)	+79
Brazil.....	1,793	1,655	1,700	1,700	-93	+45
Peru.....	376	450	500	500	+124	+50
Total.....	9,183	8,528	8,955	9,323	+140	+795
New producing areas:						
Near East ⁴	471	1,128	1,426	1,554	+1,083	+426
South America ⁵	361	711	703	741	+380	+30
Africa ⁶	891	1,473	1,682	1,731	+840	+258
Central America ⁷	9	159	337	330	+321	+171
Mexico.....	317	1,333	2,250	1,800	+1,483	+467
Total.....	2,049	4,804	6,398	6,156	+4,107	+1,352
Iron Curtain Countries.....	6,129	7,763	8,702	9,415	+3,286	+1,652
United States.....	12,712	14,093	14,721	13,268	+556	-625
Other countries.....	455	483	744	768	+313	+285
World total.....	30,528	35,671	39,520	38,930	+8,402	+3,259
	Percent	Percent	Percent	Percent	Percent	Percent
United States percent of world....	41.6	39.5	37.2	34.1	--	--

¹Preliminary.

²Includes Pakistan.

³Included with India.

⁴Includes Iran, Iraq, Syria, Turkey, Aden, and Afghanistan.

⁵Excludes Brazil and Peru.

⁶Excludes Egypt.

⁷El Salvador, Guatemala, and Nicaragua.

Cotton farming abroad continues to expand

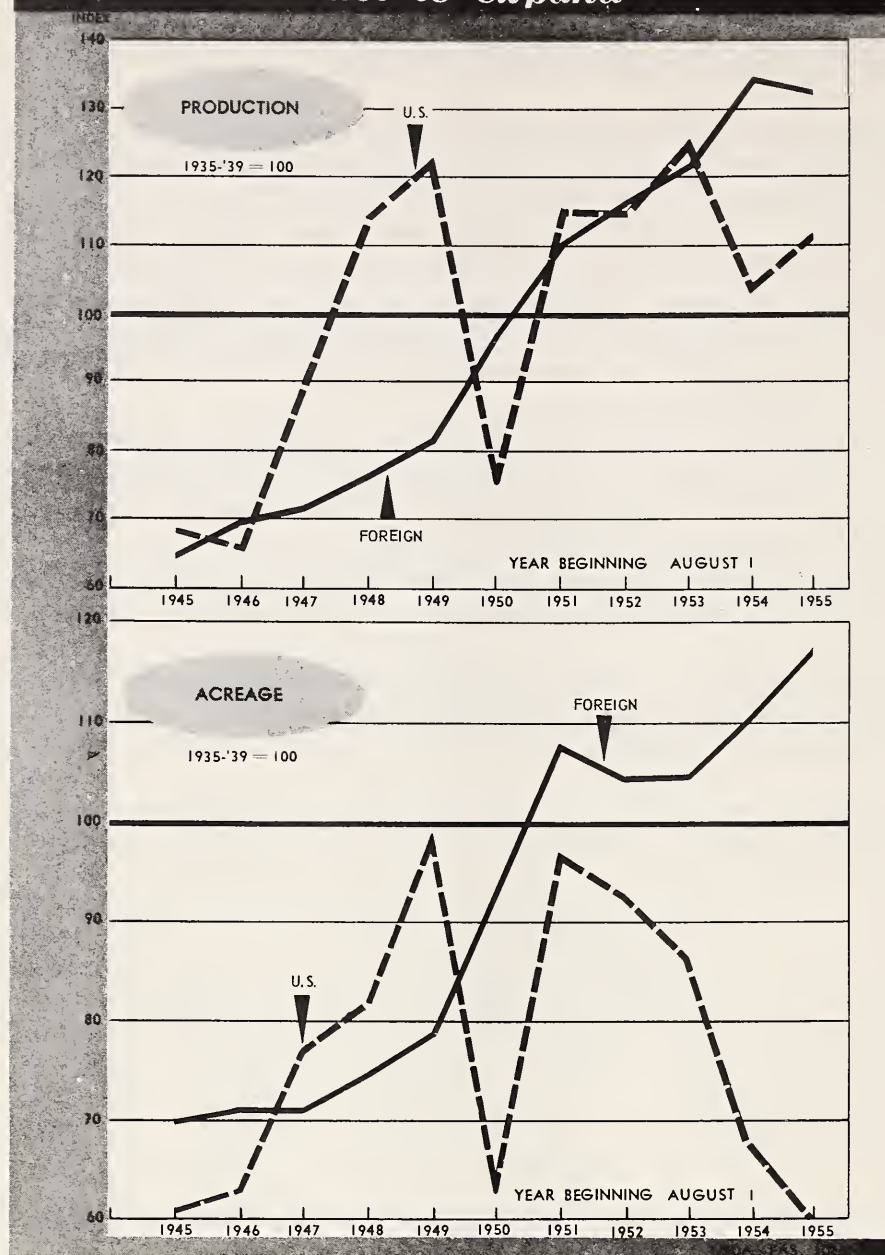


Fig. 5

reductions in world cotton prices would not cause these countries to reduce cotton production. However, the 1956 survey indicates that with lower prices there definitely would be less incentive on the part of producers to step up yields through the application of more scientific and intensive production techniques.

Although careful evaluation of the economic factors indicate that cotton price declines in the past year will not turn back cotton production in the Middle East and Southeast Asian countries, it is fairly certain that lower prices will retard the commitment of additional resources to cotton production.

The reported curtailment of Mexican production for the 1956-57 season is mainly the result of smaller acreages in the western regions of Sinaloa and Sonora where there was a substantial shift to wheat. In the Mexicali and Laguna regions, serious water problems were experienced early in 1956 and are

feared next year because supplies in the reservoirs are low. The curbing of credit for cotton production, which was part of Government policy to become more self-sufficient in food production, plus the unfavorable harvesting season in 1955, were also factors contributing to reduce cotton acreage in 1956. Mexico still imposes a tax of 3.75 cents a pound on exports. This is a further deterrent. When this tax becomes unduly burdensome on producers, the Government is likely to reduce it, as it did last year.

Fiber Consumption Trends

The continued favorable outlook for cotton consumption in the principal cotton importing countries during the 1956-57 season is a basic underlying factor contributing to the improved competitive position of U. S. cotton. Although no great increase in raw cotton consumption is expected in the cotton exporting countries as a group, the upward trend indicated in the importing countries is a sign that the total volume of trade in 1956-57 may rise nearly two million bales, to about 14.5 million bales, this providing a greater total market in which the U. S. will be competing.

The improved price position of U. S. cotton will reduce the incentive for the world's textile industries to substitute rayon staple fiber for raw cotton. Quality and "suitability for purpose" will be the factors determining which fibers will be used in the basic textile end-use markets, now that the prices of these competitive fibers have been brought into line with each other. Of course, a reduction in rayon staple fiber prices to meet lower cotton prices would revive price considerations; however, the price adjustments for cotton in the last year have considerably narrowed the range in which prices of rayon staple fiber can be manipulated to push its use over cotton.

Despite the sharp competition now apparent between foreign and U. S. cotton and between all cotton and rayon staple fiber in foreign markets, the world's rayon and other synthetic fiber industry continues to expand. The projected expansion of rayon staple fiber capacity is less in Western Europe than in the U. S. and the rest of the world. Planned expansion of the rayon staple fiber industry from 1955 to the end of 1957 is estimated at 17 percent for Western Europe, 52 percent for Japan, 18 percent for the Iron Curtain countries, and 57 percent for the rest of the world, excluding the U. S. U. S. expansion by the end of 1957 is estimated at 25 percent above 1955 capacity.

It is difficult to explain the rayon staple fiber industry's plans to expand capacity at a time when it is apparent that cotton prices are trending downward and cotton is making a strong bid to be competitive in the basic fiber end-use markets. It is especially difficult to explain the industry's expansion plans since recent financial reports of several major rayon firms show a decline in profits and a concern for the unabated rise in the costs of raw material and labor involved in the manufacture of rayon.

If the world's rayon capacity is expanded as planned, one thing is certain: there will be intense competition among the world's rayon producers in the export market. Furthermore, price competition between cotton and rayon staple fiber will cause increased promotional efforts to develop and expand domestic and foreign market outlets for rayon staple fiber. Under such conditions, foreign textile manufacturers outside the United States may be the principal beneficiaries.

TOBACCO

International Trade Levels and Trends

World Trade.--Free-world exports of tobacco reached an all-time high of 1.39 billion pounds in 1955. Soviet and Chinese Communist Bloc trade is believed to be between 110 and 130 million pounds, with at least 75 percent of the interbloc trade in leaf being supplied by Communist China.

Free-world exports during 1947-51 were about 10 percent above the 1935-39 average but with the trend sharply upward in recent years the level in 1955 had risen to more than 22 percent above 1947-51.

Most of the recent increases have been in light cigarette-type tobaccos supplied by the Central African Federation, Canada, India, Turkey, Greece, Yugoslavia, Italy, and Communist China. The bulk of the remaining increase in exports came chiefly from larger shipments of dark tobaccos from the Dominican Republic, Colombia, Nyasaland, Cuba, Algeria, and Italy. Recent exports from Indonesia and the Philippines have been well below prewar levels; Brazil's have remained fairly constant.

During recent years, leaf production in the tobacco importing countries has greatly increased. Although consumption is higher in the importing countries, stocks have been built up in a number of these areas, so international trade is not expected to continue the rate of increase noted in recent years.

U. S.' Share.--The long-term trend in the U. S.' share of world exports has been downward. The U. S. held about 41 percent of world exports during 1935-39. The share increased temporarily during the immediate postwar period (1945-47) to about 50 percent, because of a generally world-wide shortage of tobacco, and the necessity for importing countries to replenish war-depleted stocks. The U. S. share declined to 35 percent in 1954, but increased temporarily to 39 percent in 1955 primarily because of rebuilding of stocks of U. S. leaf in several important foreign markets. It is extremely doubtful whether last year's U. S. share of world trade can be maintained (Table 20).

U. S. Exports

Future Prospects.--U. S. exports of unmanufactured tobacco at 540 million pounds (export weight) were exceptionally high in 1955 (a rise of 19 percent over 1954) and continued high during the first half of 1956. However, exports in the 1956-57 fiscal year (July 1-June 30) are expected to be lower than those of the last fiscal year.

If production of leaf in competing exporting countries continues at recent rates, it will be impossible to maintain the current level of U. S. exports.

Favorable Factors.--Several factors favor a continued high level of U. S. exports: (1) The superior quality (flavor, aroma, texture, and usually body) of U. S. cigarette types; (2) increasing foreign consumption of cigarettes containing U. S. leaf; (3) rising gold and dollar reserves in several important tobacco importing countries; (4) P. L. 480 program; and (5) the superior sales efforts of U. S. trade representatives abroad.

Unfavorable Factors.--(1) Probable continued expansion of production in competing countries; (2) present trend in production of U. S. flue-cured leaf, which emphasizes high yielding varieties lacking in many of the quality characteristics desired in foreign markets; (3) expanding domestic production in many tobacco importing countries; (4) increasing use by foreign countries of bilateral trading arrangements and guaranteed purchase agreements, and other trade barriers including preferential import duties, import permit systems, and exchange controls; (5) recently increased prices for the heavier-bodied

TABLE 20.--Tobacco (unmanufactured): World exports, principal exporting countries (excluding Communist China and Soviet Bloc countries), average 1935-39 and 1947-51, annual 1954 and 1955

(Export weight)

Country	Average				1954		1955 ¹	
	1935-39		1947-51					
	Million pounds	Percent of total	Million pounds	Percent of total	Million pounds	Percent of total	Million pounds	Percent of total
United States.....	421	40.6	486	42.7	454	35.2	540	38.8
Central African Federation.....	33	3.2	98	8.6	132	10.2	124	8.9
India ²	44	4.2	87	7.7	74	5.7	87	6.2
Canada.....	16	1.5	23	2.0	32	2.5	48	3.4
Greece.....	98	9.5	52	4.6	116	9.0	121	8.7
Turkey.....	75	7.2	124	10.9	142	11.0	132	9.5
Indonesia.....	101	9.7	16	1.4	42	3.3	28	2.0
Dominican Republic.....	14	1.4	35	3.1	27	2.1	29	2.1
Philippines, Republic of.....	37	3.6	10	.9	22	1.7	9	.6
Brazil.....	71	6.9	68	6.0	62	4.8	62	4.5
Cuba.....	28	2.7	29	2.5	42	3.2	48	3.5
Italy.....	13	1.3	11	1.0	28	2.2	25	1.8
Algeria.....	25	2.4	24	2.1	34	2.6	42	3.0
Yugoslavia.....	10	1.0	22	1.9	15	1.2	32	2.3
All others.....	50	4.8	52	4.6	68	5.3	66	4.7
Total, excluding Communist China and Soviet Bloc.....	1,036	100.0	1,137	100.0	1,290	100.0	1,393	100.0

¹Preliminary.

²Fiscal year beginning Apr. 1, 1935 to 1954, calendar year 1955.

(traditionally lower and medium grades) of U. S. flue-cured and Burley; and (6) generally much higher prices for U. S. dark tobacco than for similar types produced abroad.

Situation in Importing Countries

Production Increases.--Most tobacco importing countries are continuing to take measures to increase domestic production. Countries include several in Western Europe, especially France, Italy, Spain and Western Germany; and in the Far East, the Philippines, Japan, Taiwan (Formosa), Indonesia, Thailand, Australia, and to a lesser extent Pakistan, India and New Zealand.

The level of leaf production in Western Europe in 1956 (exclusive of Yugoslavia and Greece which are tobacco exporters) rose to about 420 million pounds, or 13 percent above the 1947-51 average (Fig. 6). Production in selected countries of the Far East increased from an average of 1,040 million pounds in 1947-51 to 1,360 million pounds in 1955 and further to 1,407 million in 1956 (Table 21).

Increasing competition with U. S. leaf due to expanding production in these areas is even greater than indicated above. Production of the light cigarette types, which

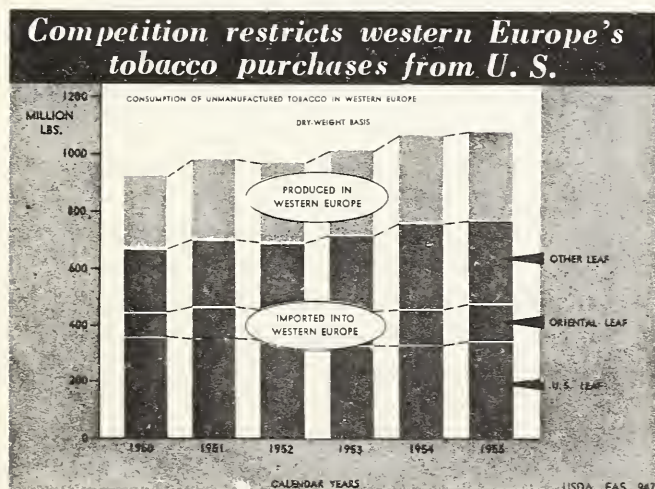


Fig. 6

TABLE 21.--Tobacco, flue-cured: Estimated world production by major exporting countries, average 1935-39 and 1947-51, annual 1955 and 1956, with comparisons

(Farm sales weight)

Country	Average		1955 ¹	1956 ¹	Percent that 1956 is of--	
	1935-39	1947-51			1935-39	1947-51
Free world (excluding U. S.):	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
Canada.....	54.6	111.6	118.2	140.0	256	125
India.....	26.9	64.5	119.0	125.0	465	194
Central African Federation.....	28.4	91.1	131.9	166.3	586	183
All other.....	133.8	245.3	491.0	540.0	404	220
Total free world (excluding U. S.).....	243.7	512.5	860.1	971.3	399	190
United States.....	863.6	1,246.2	1,483.0	1,329.4	154	107
Total free world.....	1,107.3	1,758.7	2,343.1	2,300.7	208	131
Communist China.....	235.0	250.0	500.0	525.0	223	210
Soviet Bloc.....	7.7	13.1	13.5	13.5	175	103
World total.....	1,350.0	2,021.8	2,856.6	2,839.2	210	140
United States percent of world.....	64.0	61.6	51.9	46.8	--	--

¹Preliminary.

account for the bulk of imports from the U. S., has increased percentage-wise even more than total production, as reflected above.

Production of flue-cured, the most important cigarette type in international trade, amounted to 40 million pounds in Western Europe in 1956 compared to 4 million in 1935-39, while production in Far East countries listed above rose from 89 million pounds prewar (1935-39) to a 279 million average for 1947-51 and further to 565 million in 1956.

The most dramatic example of recent increases of cigarette leaf has been in the Philippines where output of flue-cured rose from 3.3 million pounds in 1953 to 16.8 million in 1955 and further to 48 million in 1956 (Fig. 7).

Because of high import duties and relatively attractive returns per acre (land is relatively scarce and labor abundant in most of these areas) it would not seem necessary for the governments to take additional measures to stimulate domestic production and assure that such domestic supplies are actually utilized in the manufacture of tobacco products. Although minimum price guarantees to farmers are usually not necessary to get increased production of tobacco, price guarantees are in effect in the Philippines (government); Japan, Taiwan, France, Italy and Spain (tobacco monopolies); and in Australia, New Zealand and Indonesia, through forward contracts or other arrangements between producers and buyers (associations, boards or individuals).

Furthermore, in nearly all of these countries through various arrangements, such as the tobacco monopolies, associations of manufacturers or by forward contracts between producers and buyers, the growers are assured markets for their entire crops regardless of quality. Guarantees to purchase such domestic leaf are frequently required of manufacturers to dispose of the lower quality domestic leaf.

Other means of giving more favorable treatment to domestic production include: Western Germany has a lower excise tax on certain tobacco products made of tobaccos produced domestically; the use of domestic leaf is encouraged in Australia by a duty concession on imported tobacco which is to be blended with certain minimum percentages of Australian tobacco. Similarly, Pakistan and India have lower taxes on tobacco products made from domestic leaf.

***Flue-cured production has risen faster
abroad than in the U. S.***

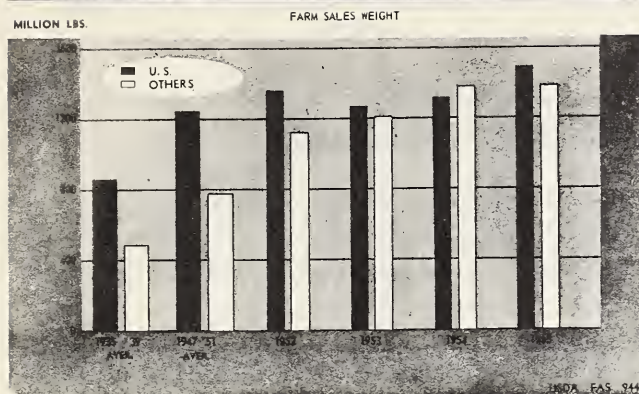


Fig. 7

many, the United Kingdom, Austria, Australia, Soviet Bloc countries, and Communist China use bilateral arrangements to influence the source of a high proportion of their imports.

Considerable quantities of tobacco are also imported under such arrangements by Italy, Spain, Netherlands, Egypt, Finland and other areas. The majority of these are payments, compensation or guaranteed purchase-type arrangements; very few are barter types. About one-third of the leaf tobacco imported by Western Europe moved under such known arrangements in 1955, compared with approximately 25 percent in 1950. The number of bilateral agreements, and the amount of tobacco moving under such arrangements, have increased recently with these trends continuing sharply upward during 1956. Under such arrangements U. S. tobaccos are virtually excluded from these segments of foreign trade even though U. S. leaf may be superior in quality and comparable or even lower in price in some cases.

Preferential Import Duties.--The United Kingdom and certain British territories have import duties that are 21.5 cents per pound less on Commonwealth leaf than on tobacco from other sources. Australia has an import duty that is 8.4 cents per pound less on Central African Federation tobacco than on tobacco from other areas. Portugal has an import duty that is 15 percent lower on light tobaccos produced in its possessions than on similar leaf from other countries.

Import Permits, Quantitative Restrictions, and Foreign Exchange Controls.--Import permits or quantitative controls are required in a number of areas, but recently their use has declined, particularly in a number of countries of Western Europe. Tobacco imports are now liberalized in Belgium-Luxembourg, Denmark, Netherlands, Western Germany and Switzerland.

On the other hand, 20 countries have tobacco monopolies which could control the source of imports. Those of Austria, France, Italy, Spain, Sweden, Japan, Portugal, Thailand, Taiwan (Formosa) and Korea are of most interest to U. S. tobacco exporters. However, with few exceptions, these have not been any more discriminating to U. S. leaf than the non-monopoly countries.

Import licenses are used in practically all of the monopoly countries. In addition, licenses or other forms of quantitative controls are used in Finland, Philippines, Pakistan, India, Indonesia and parts of Latin America.

While discriminatory use of import licenses or exchange controls might be more readily carried out where there are monopolies, most monopolies have not influenced the source of imports as to discriminate against U. S. leaf. The British Board of Trade for several years has followed a policy of limiting dollar imports of tobacco to not more than 61 percent of total tobacco imports.

While the above measures are designed to reduce the over-all level of imports, various others are used by importing countries to assure that imports will come largely from certain areas. The most important of these measures include bilateral arrangements, preferential import duties, and discriminatory use of import permits and foreign exchange allocations and controls.

Bilateral Arrangements by Importers.--In recent years, an ever-increasing amount and proportion of world tobacco trade have moved under bilateral trade arrangements. Among the more important tobacco importers, France, Western Ger-

The Philippines also has a quantitative control on imports through a regulation that imports can be made only on certification (by the government) that there is a deficiency in domestic production. Brazil discourages imports through unfavorable exchange rates.

Increasing Competition From Other Exporters

Production Up.--Greater amounts of competitive leaf tobacco in foreign markets has been due to (1) increasing foreign production of light cigarette leaf for export--particularly in the Central African Federation (Rhodesias and Nyasaland), Canada, India, Turkey, and Greece. Communist China, which is now exporting considerable quantities to the Soviet Bloc and smaller amounts to Western Europe and Egypt, is potentially a "threat" to free world markets; and (2) a larger proportion of dark leaf exports being supplied by competitors, especially Nyasaland, Dominican Republic, Colombia, Algeria, and Brazil (largely because of lower costs and prices).

Production of flue-cured leaf in the Central African Federation, Canada and India, which account for the keenest competition that the U. S. faces in foreign markets, rose to 445 million pounds in 1956. This is 17 percent above the 368 million pounds in 1955, and more than 61 percent above the 1947-51 average of 267 million pounds. The sharp upward trend in production of Oriental leaf--the second largest light cigarette-type in world trade--continues in Turkey, Greece, and Yugoslavia.

Growing Use of Bilateral Arrangements.--Bilateral arrangements are used widely to increase the exports of competitive tobaccos in world markets. About 70 percent of the tobacco exports of the Central African Federation, Greece, and Yugoslavia were covered by these arrangements in 1955, while over 45 percent of the tobacco exports of Turkey, India and Italy moved under known bilateral agreements.

If exports from Turkey and Greece to the U. S. are excluded, nearly all of the remaining exports of these countries are made under bilateral agreements. Canada is the only important foreign exporter of (light) cigarette tobaccos which does not use bilateral arrangements to move tobacco in world trade.

Situation in Major Competing Countries

Federation of Rhodesia and Nyasaland.--The British Commonwealth area is the No. 1 U. S. competitor for exports of both flue-cured and dark fire-cured. Total production of all types rose to 199 million pounds in 1956 which was 47 million pounds, or 32 percent, above the 1955 level, and 36 million pounds above the previous record in 1954.

Flue-Cured.--1956 production of flue-cured (the most important export type) rose sharply to an all-time record of 166 million pounds compared with 132 million in 1955, and an average of 91 million pounds in 1947-51.

Yields are expected to continue upward.

Dark Fire and Sun-Cured.--Output of dark fire-cured and sun-cured rose sharply to 30 million pounds in 1956--75 percent above the 17 million harvested in 1955 and 15 percent greater than the 26 million-pound average of 1947-51. Labor is plentiful and production costs are well below those of the U. S.

What are the favorable and unfavorable factors in regard to future Federation production and exports? See Insert D for measures foreign exporting countries take to increase production and exports.

Type of Measure	Rhodesia and Nyasaland	Canada	India	Turkey	Greece
1. Price support	None.	There are an Ontario Flue-cured Marketing Association and an Ontario Burley Marketing Association which carry out programs for acreage control and minimum guaranteed prices. These organizations are made up of producers and buyers' representatives and operate in accordance with provisions of the Ontario Farm Products Marketing Board Act. The Ontario tobacco boards operate under provincial charters and are not direct government bodies, but they are empowered to control production, guarantee prices, grade leaf, etc., and have power to assess fines and take other measures necessary to enforce compliance. Buyers must agree to buy all association-member leaf before other supplies can be purchased.	None as such. Other government controls are used to influence price.	The Tobacco Monopoly has responsibility of stabilizing markets by purchasing when prices weaken. This has been done only to a limited extent. It also handles some supplies for export particularly under bilateral arrangements. Recent efforts have been mainly in regard to keeping export prices from getting too high. Farmers were paid a cost of production bonus of 25 kurus per kilo (about 4.05 U. S. cents per pound) in 1955.	In 1956 the Ministry of Commerce undertook a program of financing the withdrawal of significant amounts of the large 1955 crop in an effort to stabilize marketing and strengthen prices. By November 5th, 23.9 million pounds had been purchased under this program.
2. Agricultural credit	Liberal terms to Agriculture, especially settlers on new land.	The Federal Farm Improvement Loan Act has assisted some farmers on loans to install portable sprinkler irrigation systems at the rate of 5 percent per annum simple interest repayable within a maximum period of 10 years.	Tobacco growers consider credit inadequate to meet costs of tobacco production. General agricultural credit at low interest rate.	Special credit at low rate of interest through agricultural banks; however, much of credit still supplied by merchants and the Tobacco Monopoly.	Agricultural bank extends credit to producers at interest rates that although still high (12 percent reported in 1955) are well below the rates on loans from the private sources, but farmers indicate that the amount the agricultural bank loans extend on tobacco is insufficient to meet producer needs. The Bank of Greece in 1956 was instructed by the Government to be prepared to extend credit to merchants to cover high percent of the value of tobacco for purchasing, processing and storage.
3. Tax benefit to producer	No tax on farm land.	None.	None.	Seed furnished by the Tobacco Monopoly.	There was a land tax on all leaf produced but in September 1955 was abolished on that portion used in Greece which increases returns to growers.
4. Production requisites	Favorable action by Government to assure adequate supplies of labor and curing fuel.	None.	Lower excise tax on products made from Indian leaf than on products made from imported leaf.	All farmers are exempt from income taxes.	Hellenic Tobacco Institute and Hellenic Tobacco Board furnish seed free to farmers.
5. Marketing and warehousing	Marketing Boards to promote exports and trade commissions with power to negotiate foreign sales.	A Tobacco Division representative of the Dominion Department of Agriculture does some promoting of Canadian tobacco in the importing countries.	Joint State-privately owned buying and redrying plant at Bangalore. Standard Government grades and marking of leaf for imports. Government tobacco export sales representatives abroad with authority to make contracts for foreign sales.	Selling warehouses and storage facilities are owned by the government in some areas but the bulk of facilities in the areas producing primarily for export is privately owned.	Hellenic Tobacco Board (Directors, Ministers of Agriculture, Commerce and Finance) promote exports through publicity, trade fair participation, etc.
6. Transportation rates	None.	None.	None.	None.	None.
7. Export incentives or deterrents	None.	None.	Tariff preference in United Kingdom and Pakistan. Tax on all tobacco production plus a one-half percent tax on all tobacco exports.	The Turkish Government issues export permits only if the export price is set or approved by the Union of Turkish Tobacco Merchants in behalf of the Ministry of Economy and Commerce - in an effort to prevent smuggling of foreign currencies and see that prices are in line with competitive exports.	There is a 2 percent tax on all tobacco leaf sales for financing the Hellenic Tobacco Board. In 1955 there was reportedly a 2 percent tax on the invoice value of all tobacco exports.
8. Long-term (more than one year) guaranteed purchase agreements	Three-year future agreement with U.K. for 80 million pounds and three-year agreement with Australia for 9.7 million pounds or 6.5 percent of crop, whichever is less. There is an agreement with the Union of South Africa providing for minimum annual purchase of 2 million pounds with amount to be revised upward after discussions held annually.	None.	Currently none.	None.	None.
9. Bilateral trade agreements	French compensation type agreement covering \$1.2 million for tobacco. In 1956, the Minister of Agriculture stated that efforts will be made to push export sales including government policy of making bilateral trading arrangements including tobacco with countries with which the Federation has a deficit in balance of payments. The countries with which there were long-term or other types of bilateral agreements in 1955 purchased 91 million pounds, or 73 percent of total exports in 1955.	None.	Agreements with 20 countries including tobacco. In 1955, about 49 million pounds, or 50 percent of total tobacco exports went to these countries.	There were 23 known agreements in 1955 (all renewable annually) with countries which took 64 million pounds or 48 percent of total exports (80 percent of exports if shipments to U. S. are excluded) in 1955. All except that with USSR renewable annually.	Greece had 27 bilateral agreements with countries which took 95 million pounds or 79 percent of total exports in 1955.
10. Preferential tariffs and import quota treatment	21.5 cents (equivalent) per pound lower duty than that on non-Commonwealth leaf in U.K. and 8.4 cents per pound lower in Australia. The Union admitted about 11 million pounds duty-free in 1955 and provided for 14 million pounds duty-free in 1956. The full duty rate into the Union of South Africa is equivalent to about 49 U. S. cents per pound.	21.5 cents (equivalent) per pound lower duty than non-Commonwealth leaf in U.K. and British territories in the Caribbean.	Preferential rate of 21.5 U. S. cents per pound in the United Kingdom. Lower import duty and excise rates on Indian leaf than on other imported tobaccos in Pakistan.	None.	None.

Favorable

Production Factors.--(1) Rhodesian flue-cured leaf is bright in color, which is an advantage in manufacturing an "all flue-cured" type cigarette; (2) production costs are lower than in the U. S., and prices for low and medium grades of flue-cured, and all dark tobaccos are also lower; (3) there is an excellent research program, combined with large areas of adapted soils, ample labor supplies, and low wages.

Marketing Advantages.--(1) A guaranteed market for the major part of the crop in the United Kingdom and Australia through bilateral agreements, combined with a tariff advantage over U. S. leaf equivalent to 21.5 cents per pound in the United Kingdom and 8.4 cents in Australia; (2) the Federation's Ministry of Agriculture's recent policy announcement for expanding bilateral trading arrangements to encourage tobacco exports to those countries with which the Federation has trade deficits; and (3) the Federation's need for industrial products, which many tobacco importing countries want to export.

Unfavorable

Production Factors.--(1) Federation flue-cured is lacking in flavor, aroma and "body"; (2) low yields per acre make low wages essential, but wages are increasing because of demands from the non-agricultural segment of the economy.

Marketing Disadvantage.--(1) Prices of better-quality flue-cured are higher than prices of similar grades in the U. S. and Canada; and (2) Overland transportation charges are relatively high. (The delivered price, however, in the United Kingdom for better grades of leaf is lower than the price for similar U. S. leaf, when the tariff preference is considered.)

India.--Production of flue-cured and Burley (two main export types) continues its upward trend, rising to an estimated total of 127 million pounds in 1956, compared with a 66 million average in 1947-51.

Although the United Kingdom remains the principal buyer of Indian leaf, larger shipments have recently gone to the Communist Bloc. Indian tobacco continues to displace U. S. tobaccos, particularly in the United Kingdom, but the neutral flue-cured and Burley produced in India compete most keenly with similar neutral types of Rhodesian leaf.

Favorable

Production Factors.--(1) Ample labor and low wage rates.

Marketing Advantages.--(1) A tariff preference in the United Kingdom market equivalent to 21.5 cents per pound; and (2) sales representatives recently appointed by the government of India to sell tobacco for export.

Unfavorable

Production Factors.--(1) Low average yield and quality; and (2) soil and climatic conditions severely limit possibilities of improving yield and quality.

Marketing Disadvantages.--(1) A general tax on all tobacco production, with an additional tax on exports.

Canada.--Total tobacco production in 1956 is estimated at about 167 million pounds compared with 135 million in 1955 and a 1947-51 average of 129 million pounds. Production in 1956 was the second highest on record, being exceeded only by that of 1954.

While most exports continue to go to the United Kingdom, British West Indies and Australia, recent efforts have achieved expansions in foreign shipments, particularly to The Netherlands, Ireland, Western Germany, Belgium, Sweden, Denmark and Portugal, and during the past year, to Uruguay.

There is a large potential for further expansion of production with the upper level probably being determined primarily by foreign demand, but rising wage rates and weather risks tend to check the rate of expansion.

Favorable

Production Factors.--(1) High yields and good quality; and (2) large-scale production by very efficient producers using modern methods and equipment.

Marketing Advantages.--(1) Tariff preference in the United Kingdom and certain other British areas equivalent to 21.5 cents; and (2) minimum price guarantees (determined by marketing boards composed of producers and trade representatives) which are set lower than U. S. support prices, and at levels conducive to moving excess production in world trade.

Unfavorable

Production Factors.--(1) Short growing season with heavy risk of frost and hail damage; and (2) increasing wage rates with hired labor, a major cost of production.

Marketing Disadvantages.--(1) Necessity for selling leaf for dollars.

Turkey.--Turkey is the second largest exporter of tobacco. There is strong incentive to expand labor-using crops as labor is plentiful, land is scarce, and tobacco is a crop from which returns and foreign exchange earnings per acre of land are greater than for any other major crop.

The supply of manipulated Turkish leaf available for foreign sales in the 1956-57 export year (beginning September 1, 1956) is well above that of 1955-56 as a result of the 245 million pounds produced in 1955 (Table 22).

Most of the increasing foreign shipments in recent years have gone to the U. S. and Western Europe, but recently Soviet Bloc countries have also taken larger amounts. Some of the latter may show up in Western European markets.

Turkey relies heavily on bilateral agreements in assuring foreign markets for her tobacco. Many countries, particularly the industrial nations of Western Europe as well as a number of Iron Curtain countries, have such arrangements with Turkey.

Favorable

Production Factors.--(1) High returns per acre for tobacco in an area where usable land is scarce and labor abundant.

Marketing Advantages.--(1) Expanding use of bilateral trade arrangements to assist tobacco exports; (2) the Turkish need for large imports of industrial goods from countries which are important tobacco importers.

TABLE 22.--Tobacco, Oriental and semi-Oriental: Estimated world production by major exporting countries, average 1935-39 and 1947-51, annual 1955 and 1956, with comparisons

(Farm sales weight)

Country	Average		1955 ¹	1956 ¹	Percent 1956 is of--	
	1935-39	1947-51			1935-39	1947-51
Free world:	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
Turkey.....	128.1	193.7	248.2	245.1	191	126
Greece.....	132.8	113.3	222.9	185.0	139	163
Yugoslavia.....	32.9	52.5	81.2	75.0	228	143
Italy.....	29.3	52.9	32.2	34.0	116	64
Iran (Persia).....	10.4	17.5	20.9	25.1	241	143
All others.....	11.3	17.1	32.9	35.7	316	209
Total free world.....	344.8	447.0	638.3	599.9	174	134
Soviet Bloc.....	305.8	281.6	326.8	340.9	112	121
World total.....	650.6	728.6	965.1	940.8	145	129

¹Preliminary.

Unfavorable

Marketing Disadvantages.--(1) Continuing inflation, with resulting increases in export prices for tobacco. (To combat rising costs, the Monopoly paid growers in 1956 a "premium" equivalent to about 4 cents per pound for all tobacco produced in 1955.)

Greece.--Greece is the fourth largest exporter of tobacco. It exports mostly Oriental aromatic cigarette types. Production has increased greatly since World War II. The 1955 crop was about 90 percent above the 1947-51 average, establishing an all-time high of 223 million pounds (211 million pounds of marketable tobacco).

Exports in 1955 amounted to 121 million pounds, the highest in 30 years, and with large supplies, Greek officials expect exports in the 1956-57 export year (began September 1, 1956) to establish a new record.

Exports to the U. S. and Western Germany, which account for over half of Greek tobacco exports, are responsible for most of the increase in recent years, but shipments to several other areas also continue to rise. While exports to the Iron Curtain areas, especially to the Soviet Union, declined in 1955, shipments to these areas are expected to rise.

Favorable

Production Factors.--(1) High returns per acre for tobacco in a country where land is scarce and labor abundant; (2) recent action abolishing the land tax on tobacco (formerly equivalent to 14 percent on all tobacco used in Greece) should be an incentive to production by increasing returns to growers.

Marketing Aids.--(1) The Bank of Greece can supply a high percentage of credit to tobacco merchants for purchase and manipulation of leaf; (2) widespread and growing use of bilateral trade agreements to move tobacco. (In 1955, over 70 percent of leaf exports went to countries having such bilateral arrangements with Greece.); and (3) the Greek economy can absorb manufactured goods which most important tobacco importing nations desire to export.

Unfavorable

Production Factors.--(1) Increasing production costs.

Other Exporting Countries.--Most of the remaining competition that U. S. tobacco faces in world markets is due to foreign shipments of dark leaf from Nyasaland, the Dominican Republic, Colombia, Brazil, Cuba, Philippines, Indonesia, Paraguay, Algeria, and Italy. Prices and production costs (except for high quality cigar wrapper and binder) are lower than they are for U. S. dark tobaccos. Because of these factors, the U. S. competitive position is likely to continue unfavorable in respect to maintaining or expanding exports of dark tobaccos.

The higher production costs of U. S. dark tobaccos result largely from the fact that U. S. living standards and wage rates are well above those in the competing exporting, as well as importing countries. Technology in leaf production has not advanced to the point where greater use of machinery will materially reduce the amount of hand labor required.

DAIRY PRODUCTS

Milk Production

Every country in the world produces some milk, but the number of countries exporting substantial amounts of dairy products is relatively small. Similarly, the number of countries which regularly import substantial quantities of dairy products is small. Several countries permit small quantities of

selected dairy products to be imported under close controls, and often under heavy duties and other import fees.

The continuing tendency in the primary importing countries is to reduce dairy imports where possible without causing domestic shortages and undue upward pressure on prices of milk and dairy products.

Practically all governments give some direct and indirect aids to their domestic dairy industries and attempt to stimulate increases in domestic milk production.

World butter production in 1955, including ghee, was probably slightly smaller than in 1954 and was about 8 percent smaller than just before World War II.

Cheese production has increased substantially since prewar, with the greatest increase--more than 40 percent--occurring in nine major cheese-exporting countries. Since 1951, cheese production in these countries has increased 22 percent, but the increase in 1955 over 1954 was only 2 percent. Production in these nine countries in 1956 will probably be slightly higher than in 1955 and will continue to show moderate increase during the next 2 years.

Production of canned milk (evaporated and condensed) in six major exporting countries in 1954 was more than twice as large as prewar. Data for 1955 and 1956 production are incomplete. Production in these six countries showed little change in 1954 from the 1953 level, but production in three major importing countries has increased substantially since 1951 and showed further gain in 1955.

Production of dried milk (whole and skim) in 1954 was nearly three and one-half times as large as prewar, and about 58 percent larger than 1951. It continued to increase in 1955 and will probably show small further increase in 1956.

Trade in Dairy Products

Butter exports of the major suppliers other than the United States, while still below prewar, have increased each year since 1951, except for 1953. Exports in 1955 were 16.5 percent larger than in 1951 and were about 5.5 percent larger than in 1954.

Exports of cheese by the principal suppliers other than the U. S. have increased about 35 percent above prewar, but have not shown much growth in recent years. Exports by these suppliers in 1955 were down about 2 percent from 1954.

World trade in dried milk, chiefly nonfat dried milk, has increased enormously since the prewar period, but not very much since 1951--perhaps 5 percent.

World exports of canned milk during 1955, about 925 million pounds, were up 13 percent from 1954, about 70 percent above prewar, and nearly at the same level as during 1946-50.

Foreign trade in U. S. dairy products has historically amounted to only a small part of the domestic production, ordinarily less than 1 percent of the annual production of milk (Fig. 8). Exceptions occurred in the two world wars and immediately following them, when larger quantities of manufactured dairy products were moved abroad. However, even at the peak of the war movements, which occurred in 1944, only 5.6 percent of the total domestic production went into export channels. In 1955, as shown in Table 23, with unprecedented donations of dairy products for overseas relief, only 5.4 percent of the annual milk production was sent abroad.

Exports of U. S. butter, cheese, and dried milk and those of leading dairy exporting countries during prewar and recent years are shown in Table 24.

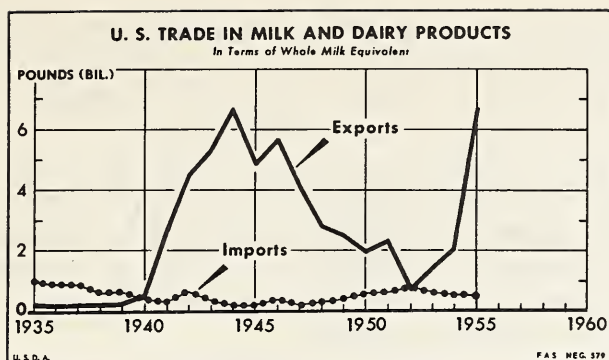


Fig. 8

The marked increase in U. S. shipments of butter from 25 million pounds in 1953 to 226 million pounds in 1955 came from increased exports under various Government programs. During the first half of 1956, about 153 million pounds of U. S. butter were exported.

In 1954, U. S. total cheese exports began to rise under the influence of Government programs.

TABLE 23.--Milk: Estimated United States production, whole milk equivalent, and percentage of production exported, United States, 1950-55

Year	Milk Production	Milk equivalent of total exports	Milk equivalent of Government shipments	Milk equivalent of commercial exports	Percentage of milk production exported
	Million pounds	Million pounds	Million pounds	Million pounds	Percent
1950.....	117,302	1,988	917	1,071	1.7
1951.....	115,181	2,265	254	2,011	2.0
1952.....	115,071	676	0	676	.6
1953.....	120,521	1,367	736	631	1.1
1954.....	122,294	2,034	1,338	696	1.7
1955.....	123,554	6,678	5,753	925	5.4

TABLE 24.--Selected dairy products: Exports by commodity, major exporting countries, average 1934-38, annual 1953-55

BUTTER

Country	Average 1934-38	1953	1954	1955
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
New Zealand.....	308.9	355.0	297.1	347.7
Denmark.....	328.5	299.1	313.4	283.6
United States ¹	1.2	24.6	54.5	226.0
Australia.....	220.1	87.4	106.8	180.8
Netherlands.....	109.5	116.2	114.6	98.1
All others.....	259.0	82.4	100.4	82.5
Total ²	1,227.2	964.7	986.8	1,218.7

CHEESE

Netherlands.....	132.3	189.6	203.0	196.1
New Zealand.....	194.0	227.0	206.8	188.0
United States ¹	1.3	20.0	34.4	147.5
Denmark.....	18.0	131.8	130.5	114.4
Australia.....	21.7	51.6	52.5	47.2
All others.....	247.2	197.4	214.3	224.3
Total ²	614.5	817.4	841.5	917.5

DRIED MILK (Whole and skimmed)

United States ¹	4.8	228.6	299.6	607.3
New Zealand.....	16.1	117.5	87.7	83.5
Netherlands.....	37.2	64.5	71.4	74.0
Australia.....	3.3	57.1	55.1	64.0
Denmark.....	.6	25.1	25.6	30.7
Canada.....	5.6	37.4	24.7	22.0
All others.....	3.9	54.2	48.5	43.4
Total ²	71.5	584.4	612.6	924.9

¹Includes Government shipments and donations.

²Reported exports of principal exporting countries.

In 1955, approximately 148 million pounds of U. S. cheese were exported, compared with average shipments of approximately 19 million pounds, annually, during 1952, 1953, and 1954. During the first half of 1956, about 102 million pounds were moved out.

The greatest increase in dry milk exports among the major suppliers has been by the U. S. In 1953, U. S. exports began to rise and reached a total of 150 million pounds that year. In 1954, these exports of dried milk were almost 300 million pounds, nearly half the world exports. In 1955, U. S. exports rose further to 607 million pounds, or nearly two-thirds of world exports. During the first half of 1956, U. S. exports were 335 million pounds.

The large increases in U. S. exports during the past 2-1/2 years reflect the influence of very substantial Government programs, including large donations for relief abroad, government-to-government sales at concessional prices, and other programs.

U. S. exports of canned milk (condensed and evaporated) in 1955 were approximately 163 million pounds as against 132 million pounds in 1954. A large part of this increase arose from the use of ICA funds. Lower prices and competing supplies in foreign markets appear to be making it increasingly difficult for this country to expand its exports of evaporated and condensed milk.

Competitive Prices for Dairy Products

For many years U. S. domestic wholesale prices for butter, cheese, and nonfat dry milk have been higher than the export prices for these products in major dairy-product exporting countries. Shown below are recent wholesale prices for top quality butter in the largest butter market in the world, London, England, compared with New York City wholesale prices (U. S. cents per pound):

<u>Date</u>	<u>London wholesale prices</u>				<u>New York Price</u>
	<u>New Zealand Finest</u>	<u>Australian Choicest</u>	<u>Danish "Lur"</u>	<u>Netherlands Unsalted</u>	<u>U. S. 92 Score</u>
July 19, 1956	37.5	37.2	42.8-43.0	45.7-46.1	60.25
Sep. 6, 1956	39.5-40.0	39.1-39.5	49.6-49.7	48.5-48.6	61.0
Oct. 4, 1956	39.5-40.0	39.0-39.5	52.3	53.0	62.0

The butterfat content of butter sold on the London market is slightly higher than the 80 to 80.5 percent fat content of U. S. butter. If the U. S. prices were adjusted upward to reflect this difference, plus freight, insurance, and other handling costs between New York City and London, at least 7 cents per pound would have to be added to the New York City price. It is obvious that U. S. butter suppliers cannot hope to compete with other suppliers on the London market. With a few exceptions the Commodity Credit Corporation has made butter available for unrestricted export at prices ranging from 37 to 39 cents per pound, f.a.s. At these levels, sales for export have been possible and have been made in limited quantities when import licenses have been granted.

Recent export sales of butter to other Western European countries have been made by Denmark and the Netherlands at prices ranging from 47 to 56 cents per pound, f.o.b. border. These prices represent mainly intermittent sales based on specific licenses or negotiations and are therefore, in some but not all cases, higher than the ruling prices for regular sales in the London market. These prices also are much lower than U. S. domestic wholesale prices plus freight insurance and other handling costs, but are not below prices

which could be quoted by U. S. suppliers on the basis of availability of CCC butter at 37 to 39 cents per pound.

Until world prices rise substantially relative to U. S. prices for butter, cheese, and nonfat dry milk, U. S. suppliers will be unable to compete in international markets without assistance from the Federal Government in the form of lower acquisition prices. For evaporated and dry whole milk, the competitive situation is worsening in terms of relative prices. Current exports of condensed milk are heavily dependent on ICA financing for the same reason.

Organization of Export Trade and Governmental Assistance

Organization of the dairy products export business in each of the other leading dairy export countries is markedly different from that of individual business-firm operation in the U. S. All four of these countries--Australia, New Zealand, Denmark, and the Netherlands--have highly centralized or monopoly control of dairy product exports; rigid grading requirements for export products, chiefly butter and cheese; highly organized trade service machinery with farflung foreign representation in the form of trade commissioners or other agents; pooling of returns from export trade; and pooling of prices of milk to producers. In addition, some of these countries compute and publish, in advance of, or early in each marketing year, a guaranteed price for all or a portion of the dairy products.

Australian Export Controls on Butter and Cheese

To June 30, 1955, the Australian Dairy Produce Board took title to the entire volume of butter and cheese for export to the United Kingdom and sold it to the Ministry of Food of the United Kingdom, which appointed its own distributive agents. Prices were negotiated by the two governments. In 1954, in anticipation of the ending of long-term government-to-government contracts, the Australian Dairy Produce Export Control Act was amended to empower the Board to continue financing export of butter and cheese prior to actual sale, to control sales of butter and cheese on the United Kingdom market, and to account to Australian dairy products manufacturers for such sales. This has continued to be the practice since 1954.

The Australian Government makes advances to the Board to enable it to finance its purchases from manufacturers. All butter and cheese for sale in the United Kingdom is consigned to the Board's London office, which allocates supplies to selected agents. These agents account directly to the Board for sales. The Board in turn accounts to dairy products manufacturers on the basis of actual realizations for each grade of butter and cheese sold. Only approved marketing charges such as freight, insurance, port dues, cold storage, commission, and trade discount are deducted.

In the case of exports to countries other than the United Kingdom, dairy manufacturers are free to conduct sales on the basis of values and such other conditions as the Board may determine, with the Board reserving the right to arrange bulk sales to any country.

To encourage production of dairy products during World War II, the Australian Government guaranteed the dairy farmer a price based on production costs for all milk used in manufacture. In July 1952, a new 4-year plan for the stabilization of the dairy industry was agreed upon by the industry, the State Governments, and the Commonwealth Government. Principal features of the program which continue in effect are:

1. A guaranteed price is determined by the Government each year, after analysis of costs of milk production by an independent authority.

2. The price guarantee to producers covers all butter and cheese sold for domestic consumption, plus a quantity of exports equal to 20 percent of domestic consumption.
3. Subsidy policy is set from year to year. The subsidy on processed milk (canned and dried) was discontinued after July 1952.
4. A stabilization fund was established into which is paid any excess of returns over and above the guaranteed prices for butter and cheese. Payments into the fund are held by the Dairy Produce Board. On June 30, 1951, a balance of £ A 3.85 million (approximately \$8.5 million) was in the fund. This balance was reduced on June 30, 1956 to £ A 1.4 million (\$3.1 million). Payments are made from the fund when guaranteed prices for butter and cheese are higher than actual prices.

Annually for several years the Commonwealth Government has made available to the dairy industry a direct subsidy or "bounty." For the marketing year 1955-56, the subsidy was £ A 14.5 million (about \$32 million), and, for 1956-57, it is expected to approximate £ A 13.5 million (\$30 million).

New Zealand Dairy Export Organization

The Dairy Products Marketing Commission, a 7-member group with broad industry representation, acquires and markets all butter and cheese manufactured for export. The Commission determines the prices it will pay for butter and cheese (so-called guaranteed prices) and insures, through equalization, that the return to factories on butter and cheese sold domestically is equivalent to the return on exports.¹

The Commission is also authorized to handle export marketing of dairy products other than butter and cheese. This function is usually carried out by agreement with the New Zealand Dairy Board, a producer group, and manufacturing companies. All exports of butter and cheese to the United Kingdom (New Zealand's primary customer) are shipped by the Commission for sale through its appointed agents. Shipments to other countries may be handled by the Commission or be marketed otherwise on approval of the Commission. The Commission also markets milk powder through a special Milk Powder Committee and is the exclusive sales agent for all exports of casein.

At the beginning of each season, the Commission fixes the guaranteed prices it will pay for butter and cheese. In doing so the Commission considers the stability and efficiency of the dairy industry, costs of producing butter and cheese, and the standards of living of persons engaged in the dairy industry, compared with the general standard of living in New Zealand, marketing costs, and other relevant matters.

A Dairy Industry Reserve Account was established several years ago, into which returns from export sales above the values established by the Commission were paid. This account has grown rapidly over the last 10 years and, on July 31, 1956, stood at £ NZ 23.5 million (\$65 million). An agreement was reached in 1952 that full realizations on butter and cheese should be paid out to producers instead of swelling the balance in the reserve account.

Grants and subsidies have been made to agriculture in general for many years. Subsidies to the dairy industry also have been important. During and after World War II, subsidies to various industries rose sharply, but were

¹"Legislation enacted by the New Zealand Parliament in October 1956 to be effective August 1, 1957 establishes a Dairy Products Prices Authority which will determine the prices the Commission is to pay for butter and cheese acquired by the Commission and otherwise amends in several minor respects The Dairy Products Marketing Commission Act of 1947."

reduced beginning in 1947. During 1954-56, subsidies on milk and dairy products--chiefly consumer subsidies--averaged £ NZ 8 million annually (approximately \$22 million). During July 1956, the consumer subsidy on milk was 3.5 cents per quart of milk and 12.9 cents per pound of butter.

The United Kingdom will continue to be New Zealand's greatest market for dairy products, but the future growth of this market will probably not keep pace with available supplies from New Zealand and other sources. Consequently, New Zealand is being forced to look to other market areas for export sales. Chief among these is Western Europe.

Some apprehension is felt by New Zealand concerning its ability to expand sales in this area against the competition of Denmark, the Netherlands, and Australia, and in the face of highly protectionist policies on imports of butter. Consequently, New Zealand is looking elsewhere in the world for new and larger outlets for dairy product exports to provide a greater diversification of its export trade both geographically and in terms of product.

Denmark

Exports of butter and cheese from Denmark are controlled by export committees representing producer and trade organizations. These committees, although not subject to Government controls, have the power to make contracts, fix minimum export prices, and impose levies on exports. The Butter Export Committee also fixes the accounting price for butter, which forms the basis of wholesale butter prices in Denmark and thus influences the entire level of milk prices throughout the country. In effect, the value of butter in export trade determines the domestic level of milk prices. Subsidies on butter and fluid milk have been discontinued. The butter subsidy ended in May 1948, and the fluid milk subsidy in February 1955. At that time, retail milk prices rose 1-3/10 cents per liter, and a tax of 7-1/4 cents per liter was levied on sales of fluid cream.

Most of the Danish exports of butter and cheese are marketed in the United Kingdom and continental Europe. Exports of canned and dried milk are marketed more broadly throughout the world. The chief difficulty which Denmark faces is protectionist policy regarding domestic dairy interests in Western Europe. Imports of dairy products, except butter, have been liberalized in accordance with the OEEC program in several Western European countries. Only very limited liberalization has been permitted by France.

Netherlands

The Netherlands Government fixes annually the average guaranteed price to milk producers. By far the greatest part of the administration of controls over the Dutch dairy industry is exercised by the Marketing Board for Dairy Produce. This Board includes representatives of producers, dairy product factories, and traders. The chairman of the Board is appointed by the Government. Board operations are financed by contributions from producers and from dairy factories.

The Board has statutory power to make market regulations dealing with prices and subsidies, to issue export licenses, and, in some cases, to fix minimum export prices. Minimum or support prices for various dairy products delivered to the Purchase and Sale Office are established by the Board to prevent wide fluctuations on the home market, which largely depends on the prices obtained on export markets. These minimum delivery prices are freed on the basis of commercial market expectations. Variations among these prices are

used to some extent to influence the utilization of milk among the different dairy products.

Most of the stocks of dairy products acquired under price support are sold for export, with any trading losses being financed out of the Dairy Fund. In some instances, direct subsidies have been offered to exporters. Exports of butter to the United Kingdom since May 1954, when the bulk purchase contract ended, have normally received a subsidy from the Dairy Fund, which has varied from 14.7 cents to 27 cents per pound.

A special fund, the Dairy Fund, has been set up as a part of the general Agricultural Equalization Fund. Income is obtained from a levy on the manufactured milk, currently 18.5 cents per 100 kilograms of 3.7 percent milk (nearly 9 cents per hundred pounds). Milk prices are pooled so that all prices to producers, regardless of the use of the milk, are the same. A so-called "calculation price" is established for fluid milk, usually at a higher level than the guaranteed price. This calculation price is in no sense a guaranteed price, but serves as a source of income to the Dairy Fund in that the difference between the "calculated price" and the manufacturing price is deducted from the producer price of milk sold for fluid consumption and paid into the Dairy Fund. If the manufacturing milk should temporarily exceed the "calculated price" the Dairy Fund pays a subsidy on fluid milk sold to bring it up to the manufacturing milk price.

Prices of fluid milk to consumers are reduced by standardizing the milk-fat content at 2.5 percent and, in addition, by paying a subsidy from the Agricultural Equalization Fund. Currently, this subsidy amounts to 3.3 cents per liter. It is estimated that the subsidy on fluid milk in 1955 was 60 million guilders (\$15.6 million).

Since the bulk of the Netherlands export trade in dairy products is with other countries in Western Europe, including the United Kingdom, the fortunes of the Netherlands dairy industry depend heavily on economic conditions in that area and the trade policies pursued by importing countries. Imports of butter are strictly controlled, except into the United Kingdom; but imports of other dairy products from the Netherlands into several of these countries have been liberalized.

In each of these countries (Australia, New Zealand, Denmark, and The Netherlands) methods of production and marketing are efficient, and high quality dairy products are exported.

POULTRY AND EGGS

Although the U. S. poultry and egg industry is by far the largest in the world, the Netherlands and Denmark export from two to three times as much as the United States. Their poultry industries have been built on a basis of supplying foreign markets and have become one of their chief means of earning foreign exchange. The main outlets are Western Germany, United Kingdom, Italy, Switzerland, and Spain. Other exporting countries are Ireland, Poland, Hungary, Union of South Africa, Canada, Australia, and China. The major importing countries are West Germany, Canada, Switzerland, Mexico, Venezuela, Cuba, and Colombia. About 75 percent of U. S. exports are to the four latter countries.

U. S. exports of poultry products have increased greatly in recent years, rising from about \$1 million in 1937 to approximately \$40 million in 1956. This large increase, nevertheless, represents only 1 percent of the cash income to farmers from poultry products. During the last two years members of the U. S. poultry industry have become increasingly interested in export markets. They are convinced that high quality U. S. products can effectively compete in world markets because of a high degree of efficiency used in production.

U. S. exports probably will continue to rise, but a large and rapid expansion is not likely unless there is a sharp rise in total foreign demand as the present foreign suppliers have the benefits of lower wage scales and, in some cases, lower feed prices, and there are numerous restrictions which limit imports into a number of countries. Transportation costs from the United States to the important importing countries of Western Europe are much higher than they are from Denmark and the Netherlands to these same countries.

MEAT AND OTHER LIVESTOCK

Production

The production of meat in 1955 in the major-producing areas, excluding Eastern Europe, the U. S. S. R., and China, was approximately 86 billion pounds (Table 25). This is a new record. It exceeds prewar production by 37 percent, and 1950-54 by 14 percent. Except for South America, meat output is now substantially above the 1946-50 average in Eastern and Western Europe, the U. S. S. R., Australia, New Zealand and North America.

The 1955 output of meat in Western Europe increased slightly, and was 19 percent over the 1950-54 average. On the other hand, North America, Oceania, and Argentina recorded a large increase in meat production compared with 1954. Pork production in Western Europe and North America accounted for the largest part of the increase. Oceania's production of beef and lard was about 5 percent larger than a year earlier. Argentina increased by 11 percent its total meat output over the previous year, which exceeded the average for the 1947-50 period. Some increases in meat export were registered in Brazil. Production in Uruguay and the Union of South Africa declined for the second consecutive year.

The output of meat in the U. S. S. R. apparently has increased since the end of World War II. Production was reportedly 30 percent larger in 1955 than in 1950.

Prospects are not too bright for maintaining the 1955 level of world meat production in 1956. Meat output will increase during 1956, but on the whole, the increase will be smaller than in 1955.

Europe's production may have reached its maximum level. The increased production of meat in Western Europe was largely due to exceptionally good feed-growing conditions, the unusually low price of imported feed, the relative demand, and high prices.

In Denmark, output during January-May 1956 was less than for the same period of the previous year, owing mainly to a decrease in pork production. The decline in the United Kingdom's meat production, which began in 1955 and continued through the first quarter of 1956, was due to the decrease in pork output.

Beef production in Western Germany is expected to be larger in 1956 than in 1955 but, because of the reduction in pork production in the second half of 1956, total output may not rise much above the 1955 level. Production in Canada and the U. S. during 1956 is estimated to increase 3 percent over the previous year. In Australia and New Zealand, production is expected to be about the same during 1955-56 as it was the previous season.

Argentine production of meat is expected to be larger than the previous year because of a 28 percent increase in the number of cattle marketed. This increase during the last two years was primarily due to attractive prices and the Government's policy to subsidize exports of meat.

In 1956, the marketing of heifers was considerably larger than in the preceding two years. This may indicate a tendency to shift from cattle breeding

TABLE 25.--Meat: World production by areas, average 1934-38 and 1950-54, annual 1955 and 1956, with comparisons

Areas	Average		1955	1956 ¹	Percent 1956 is of--	
	1934-38	1950-54			1934-38	1950-54
Foreign production areas:						
Non-Communist:	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
North America:						
Canada.....	1,417	1,966	2,307	2,448	173	125
Mexico.....	698	1,113	1,162	1,180	169	106
Cuba.....	309	423	467	480	155	113
South America:						
Argentina.....	4,240	4,709	4,685	5,620	133	119
Brazil.....	2,214	2,961	² 3,061	3,061	138	103
Uruguay.....	785	827	577	520	66	63
Other ³	516	583	1,350	1,350	262	232
Europe:						
France.....	4,015	4,596	5,435	5,500	137	120
Western Germany.....	4,150	4,339	5,074	5,130	124	118
United Kingdom.....	2,852	2,952	3,593	3,772	132	128
Italy.....	1,490	1,533	1,750	1,960	132	128
Denmark.....	1,105	1,357	1,621	1,620	147	119
Netherlands.....	851	1,009	1,162	1,162	137	115
Other ⁴	3,662	4,758	5,782	5,785	158	122
Africa:						
Union of South Africa.....	671	963	970	1,057	158	110
Middle East and Asia ^{5,6}	1,115	1,444	1,648	1,648	148	114
Oceania:						
Australia.....	2,187	2,411	2,786	2,786	127	116
New Zealand.....	1,024	1,236	1,348	1,440	141	117
Total.....	33,301	39,180	44,778	46,519	140	119
Communist:						
Germany, Eastern.....	865	1,131	1,021	1,010	117	89
U. S. S. R.....	7,140	8,069	8,850	9,115	128	113
Poland.....	2,450	1,590	1,615	1,638	67	103
Czechoslovakia.....	1,032	918	931	941	91	103
Roumania.....	649	507	538	552	85	109
Bulgaria.....	337	345	367	371	110	108
Hungary.....	635	577	617	631	99	109
Total ⁵	13,108	⁷ 13,137	13,939	14,258	109	109
United States.....	16,182	23,430	26,986	27,625	171	118
World total.....	62,591	75,747	85,703	88,402	141	117
United States percent of world.....	Percent 26	Percent 30	Percent 32	Percent 31	--	--

¹Estimated.

²Unofficial estimate.

³Paraguay, Chile, and Colombia.

⁴Greece, Sweden, Yugoslavia, Holland, Belgium, Switzerland, Spain, Norway, and Ireland.

⁵1951-54 average. Reliable estimates for 1950 not available.

⁶Iran, Iraq, Turkey, Egypt, and the Philippine Islands.

⁷No official figure available for postwar era on Communist countries.

to grain and other crop farming, and to an increase in sheep breeding. Producer prices appear to be more favorable to crops and wool than to meat.

Consumption of beef and veal in Argentina reached a record level in 1955 because of the large increase in population and higher purchasing power; per-capita consumption of 192 pounds, however, was still 8 pounds below the 1950 figure. In recent years, about 85 percent of total beef production was consumed domestically, as compared with 65 percent prewar. The quantity available for export, either as carcass or canned meat in 1955, was approximately one-half of the prewar figure of 600,000 tons.

Australia is expected to expand sheep and cattle numbers and to increase meat production because of demand, improved pastures, and cattle management. Livestock enterprises have been profitable over the years, and especially during the last few years. Australia's economy has been built around livestock, particularly sheep and wool, and a great deal of emphasis is being placed on expanded and efficient livestock production.

The amount of effort going into research, experimentation and demonstration is tremendous, and is definitely producing successful results. The favorable growing conditions, the near elimination of the rabbit menace with myxomatosis, water development projects, improved breeding and management practices, are factors contributing to increased production of meat and wool.

New Zealand has substantially increased its meat production, and its exports have increased by 10 percent over the prewar period. The intensive breeding methods and extensive improvement in pasture and forage crops have contributed largely to increased production. The 31,000,000 acres of New Zealand's grassland feed about 38,000,000 sheep and 5,750,000 cattle. These, in turn, convert the produce of the grassland into approximately 225,000 tons of butter, 195,000 tons of wool, and 600,000 tons of meat each year.

Such a highly organized livestock industry makes it possible for New Zealand's meat products to compete successfully in the international market. New Zealand, similar to Australia, has unlimited resources for expansion, if transportation problems are solved and foreign markets continue to increase their imports.

Mexico, like other North American countries, almost doubled production in 1955 over the prewar level. In recent years, government control measures reduced the slaughter of cattle and sheep, thus keeping more breeding stock to recover losses caused by the foot-and-mouth disease. As a result of increased domestic consumption and exports, the Government is making every effort to increase the production of meat by making better use of its natural resources, and by improved marketing and management practices.

How Other Countries Move Their Meat and Meat Products to Foreign Markets

World meat exports in 1955 were approximately 7 percent larger than those of 1954; almost all major exporting countries recorded increases. As a result of the new agricultural policy in Argentina, exports of carcass meat were about 50 percent above the level of 1954, with further increases at the beginning of 1956 (Tables 26 and 27).

The U. S. is probably the only country which thus far has not subsidized production or the export of meat and meat products. With the exception of limited exports made recently under P. L. 480, no other measure has been employed to aid in the export of meat and meat products.

Since the end of World War II, nearly all the major meat-producing, importing, and exporting countries have adopted measures to encourage domestic production, restrict consumption, and aid exports.

The new Government of Argentina has eliminated the multiple exchange rates, which varied from 5 pesos to 13.9 pesos per dollar, and has fixed 18 pesos per dollar for all exports of livestock products, except lard. Lard receives the free market rate.

This new rate makes Argentina much more competitive in the international market and helps increase exports. The recent price increase of 20 percent for cattle sold at public markets and the favorable export exchange rate for meat exported, are the greatest factors which have brought about the increase in exports from Argentina.

TABLE 26.--Meat:¹ World exports by areas, average 1934-38 and 1950-54, annual 1955 and 1956, with comparisons

Areas	Average		1955	1956 ²	Percent 1956 is of--	
	1934-38	1950-54			1934-38	1950-54
Foreign exporting areas:						
Non-Communist:	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
North America:						
Canada ^{3,4}	193	138	93	93	48	67
Mexico.....	(⁵)	67	30	19	--	28
Other.....	(⁶)	(⁶)	(⁶)	(⁶)	--	--
Europe:						
Denmark ^{3,7}	573	862	1,307	1,030	180	119
Ireland.....	71	144	146	104	146	72
Italy.....	12	11	9	7	58	64
Netherlands.....	86	190	277	130	151	68
France ⁸	5	100	122	90	1,800	90
Western Germany ⁹	4	37	41	30	750	81
Other ¹⁰	108	170	182	182	169	107
South America:						
Argentina.....	1,460	818	612	1,026	70	125
Brazil.....	214	26	21	10	5	38
Uruguay.....	324	243	59	154	48	63
Africa:						
Union of South Africa.....	14	15	5	5	36	33
Oceania:						
Australia.....	496	537	668	700	141	130
New Zealand.....	794	789	887	940	118	119
Total.....	4,354	4,147	4,459	4,520	104	109
Communist ^{11,12} :						
Eastern Europe (Incl. U. S. S. R.).....	152	121	¹² 160	¹² 228	150	188
United States ³	117	127	131	167	143	131
World total.....	4,623	4,395	4,750	4,915	106	112
United States percent of world.....	Percent 2.5	Percent 2.4	Percent 2.4	Percent 3.0	--	--

¹All meats converted to a carcass-weight equivalent; includes beef and veal, pork, mutton and lamb, goat, and horse; excludes live animals, edible offal, lard, rabbit, and poultry.

²Estimated.

³Average 1935-39.

⁴Includes Newfoundland, beginning Apr. 1, 1949.

⁵Negligible.

⁶Less than 500,000 pounds.

⁷Includes carcass-meat equivalent of live cattle exports.

⁸France changed from a net importer of 46.3 million pounds in 1934-38 to a net exporter by 44.3 million pounds in 1955.

⁹Western Germany beginning Oct. 1, 1949. Western Germany's exports in 1955 were 10 times the 1934-38 average.

¹⁰Spain, Sweden, Switzerland, Norway, Belgium, Yugoslavia, Portugal, United Kingdom, Finland, and Greece.

¹¹Includes Czechoslovakia, Eastern Germany, Hungary, Poland, and Roumania.

¹²Present territory for postwar years.

¹³Estimated; based on imports into receiving countries reporting imports by origin.

The Uruguayan Government controls prices for all grades of live cattle and meat exports. Subsidies on frozen beef for the year 1955 were about 47 percent of the sale price. Subsidies on canned corned beef were estimated at 183 percent of the sale price. The prevailing export exchange rate for canned meat is 3.80 pesos to the dollar; for frozen beef, 3.21 pesos. Since international prices are far below production costs, the Government makes up the difference. In 1955, production costs of one metric ton of frozen meat were 1,118 pesos; the export sales price was 760 pesos, and the subsidy which made possible its export, 358 pesos.

TABLE 27.--Meat:¹ World imports by source of origin, average 1934-38 and 1950-54, annual 1955 and 1956, with comparisons

Areas	Average		1955	1956 ²	Percent 1956 is of--	
	1934-38	1950-54			1934-38	1950-54
Foreign importing areas:	1,000	1,000	1,000	1,000		
Non-Communist:	pounds	pounds	pounds	pounds	Percent	Percent
United Kingdom.....	3,445,910	2,944,708	3,358,015	3,928,878	114	133
Suppliers:						
New Zealand.....	1,522,786	697,984	714,757	746,915	49	107
Australia.....	814,486	502,656	643,892	573,064	70	114
Denmark.....	423,920	531,776	711,750	626,340	148	118
Netherlands.....	5,981	230,944	187,911	214,219	3,582	93
Poland.....	52,114	121,632	136,382	190,210	365	156
United States.....	76,597	32,928	9,072	8,528	11	26
Argentina.....	405,261	411,040	682,815	1,126,644	278	274
Other.....	144,765	415,748	³ 271,436	442,958	306	107
France.....	51,958	48,951	77,612	42,587	82	87
Suppliers:						
Western Germany.....	(4)	(4)	4,929	2,741	--	--
Hungary.....	(4)	(4)	2,352	1,343	--	--
Denmark.....	(4)	(4)	27,818	5,369	--	--
Netherlands.....	(4)	(4)	32,319	16,161	--	--
United States.....	--	--	(5)	⁶ 30	--	--
Other ⁷	(4)	(4)	10,194	16,943	--	--
Western Germany ⁸	156,081	163,338	141,021	282,042	181	173
Italy ⁹	73,542	69,842	113,116	92,088	125	132
Other.....	177,206	122,798	163,659	238,075	134	194
Total.....	3,904,697	3,349,637	3,853,423	4,583,670	117	137
Communist ¹⁰	11,550	113,085	115,522	116,000	1,004	103
United States ^{11,12,13}	295,500	456,104	392,955	¹⁴ 388,433	131	85
Suppliers:						
Canada.....	10,769	78,070	72,564	--	--	--
Mexico.....	--	41,700	10,376	--	--	--
Poland.....	24,223	12,056	24,864	--	--	--
Argentina.....	36,388	100,295	86,455	--	--	--
Denmark.....	1,473	12,938	24,028	--	--	--
Netherlands.....	1,031	28,867	32,968	--	--	--
New Zealand.....	975	15,921	3,143	--	--	--
Australia.....	69	3,954	3,676	--	--	--
Uruguay.....	36,108	19,188	1,307	--	--	--
Other.....	22,665	21,970	23,624	--	--	--
World total.....	4,211,747	3,918,826	4,361,900	5,088,103	121	130

¹Carcass-weight basis.

²Estimated.

³Includes 112.4 million pounds of meat from Ireland.

⁴Not available.

⁵1955, 22,000 pounds canned-variety meats, game, poultry, etc.

⁶January-June 1956, 1,287,000 pounds of liver.

⁷Includes Belgium-Luxembourg, Argentina, Madagascar, Australia, Algeria and Tunisia.

⁸Supplied by Argentina, Australia, Denmark, France, New Zealand, Ireland, Netherlands, Norway, Sweden, Uruguay, United States, Poland, and Roumania.

⁹Supplied by France, New Zealand, and the Netherlands.

¹⁰Excludes Yugoslavia.

¹¹1935-39 average.

¹²Figures for individual countries on a product weight basis will not add up to indicated totals.

¹³1951-54 averages for the individual countries.

¹⁴Individual country estimates not available.

The Meat Purchase Office in the Netherlands (a Government Agency), buys bacon from the bacon factories at a price which enables the factories to pay farmers a guaranteed price for bacon pigs. This trade is strictly in the hands of the Government Agency, and has in recent years been carried on at a loss.

To encourage exports of pork and pork products from Denmark to dollar areas, exporters receive premiums equal to 8 percent of the sales as a bonus for earning dollars.

The export of meat from France is subsidized by the Meat Market Rehabilitation Fund (MMRF). This fund is created through taxation on the sale of carcass meat from wholesaler to retailer, and administered through the MMRF. French meat exports to Western Germany in 1955 were particularly large because of the export aid granted, and were competitive to U. S. meat products. The price of French frozen fatbacks, c.i.f. Hamburg, was 110 to 120 francs per kilo (\$310 per ton), compared with \$350 per ton for U. S. fatbacks.

In 1955, France exported 13,204 metric tons of lard to Western Germany and the French Overseas Territories. This export was made possible only by subsidies of 1.8 cents per pound for unrefined lard, and allowances on social security charges equivalent to the percentage the exports were of total production. In addition, the MMRF pays 6.5 cents per pound on exports of lard. Thus these supports made it possible for French exporters to deliver unrefined lard to the German frontier in January 1956 at 10.9 cents per pound, whereas the domestic price was approximately 30 cents.

The Australian Government, in addition to various forms of support to the meat industry, also subsidizes beef transported by air to the ports for export. The transportation subsidy in 1955 amounted to 2 cents a pound, which was double the previous rate. In early May 1955, the Australian Government agreed to finance payments by the Meat Board, amounting to about 1.4 cents a pound, for beef moving into storage during May-July for shipment to the United Kingdom. This payment is to be recouped by the National Treasury when the anticipated deficiency payment, based on the United Kingdom meat agreement, is received.

The New Zealand Government's Meat Board carries out long-range marketing agreements and levies export charges to create funds which are used to maintain prices to producers at a profitable level. These levies are 2.3 cents per carcass for lamb, mutton, pork and veal, and 1.1 cents per quarter, or 2.3 cents per side, for beef.

In Canada, the livestock industry is protected by price supports, although prices thus far have rarely fallen to floor level. During the foot-and-mouth epidemic in Western Canada in 1952, the Agricultural Price Support Board took a loss of \$72 million on the resale of huge supplies of beef and pork bought at support levels.

The costs of meat production in New Zealand, Australia, and Argentina are relatively low, while in most other areas the costs are invariably high. Both Canadian and United States' costs of production of meat in general, and beef and lamb in particular, are not competitive with that produced by other major meat-producing countries.

Except for certain pork products, variety meats, lard, tallow, hides and skins (which are competing effectively in the international market), U. S. beef, veal and hams cannot compete with the costs of production in foreign countries. Various support measures used by most meat importing and exporting countries make it very difficult to compare costs of production in the different countries.

Despite the shortage of dollars and other trade barriers in foreign countries, U. S. exports of meat and meat products and hides and skins have been steadily increasing in recent years, while imports have been decreasing.

During the first half of 1956, total U. S. exports were \$189 million, 26 percent more than in the same period of 1955, while total imports during the same period totaled \$127 million, a decrease of 7 percent for the same period of the previous year. The export of variety meats, especially during the current year, has been 93 percent larger than for the same period of last year. For the same comparable period, exports of tallow and greases were up 32 percent, lard 12 percent, hides and skins 12 percent, beef 60 percent, and pork 4 percent.

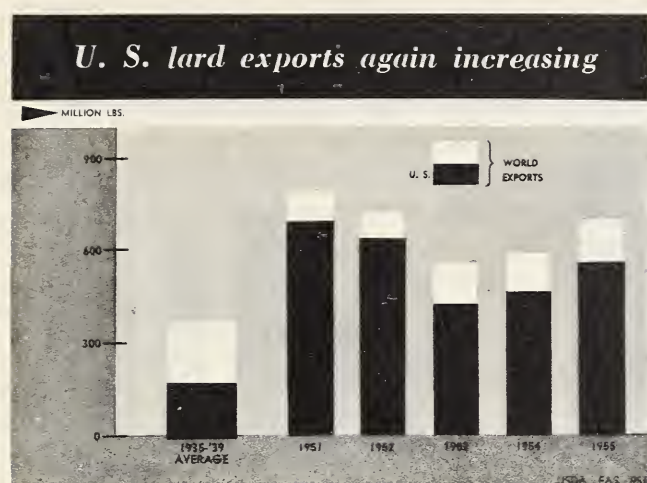


Fig. 9

World output of 8.5 billion pounds of lard in 1955 was the largest in recent years. The U. S. share of total production of 2.67 billion pounds, or 31.4 percent, was an increase of 14 percent over 1954 (Table 28). In the prewar period the U. S. share of world lard exports was only 48 percent; but during 1951 and 1952 it rose to about 88 percent, and last year the trend continued at about the same (Fig. 9).

Other than the U. S. lard, only European lard is presently of any great commercial importance and offers some competition. Production in South American countries

varies widely and, except for Argentina, is generally below domestic requirements.

The major lard-exporting countries in Europe are Denmark, Belgium, Luxembourg, France, and the Netherlands. These countries, however, offer little competition to U. S. exports. U. S. lard meets severe competition in foreign countries from vegetable and marine oils, which are replacing lard on the kitchen shelf. Also, trade in these oils in every country is well established and offers an organized barrier to lard imports. The good quality and the competitive price of U. S. lard moves it well in foreign markets.

In 1955, the U. S. produced almost 53 percent of the world's output of tallow and greases, and shared 83 percent of total world trade. Except for the U. S., only Australia and New Zealand are important as net exporters today.

In 1949, U. S. exports were only 464 million pounds and since then have continued to increase to a record level of 1,328 million pounds (Fig. 10). Western Europe, with 57 percent of U. S. shipments, is the largest market for U. S. tallow and greases.

TABLE 28.--Lard and tallow and greases: United States and foreign production and trade, average 1935-39, annual 1950-56

Year	Foreign production	U. S. production	Foreign exports	U. S. exports	Estimated world exports	United States as percent of world exports	United States exports as percent of production
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Lard:							
Average 1935-39....	5,370	1,630	194.4	165.6	360	48	10
1950.....	4,747	2,613	134.0	466.0	600	78	18
1951.....	5,166	2,864	101.4	688.6	790	87	24
1952.....	5,514	2,886	86.2	633.8	720	88	22
1953.....	5,612	2,368	127.4	422.6	550	77	18
1954.....	5,702	2,348	114.6	465.6	580	80	20
1955.....	5,835	2,675	97.9	562.1	680	83	21
1956 ¹	5,900	3,000	140.0	600.0	740	81	20
Tallow and greases:							
Average 1935-39....	2,002	1,098	468.6	21.4	490	4	2
1950.....	2,253	2,447	298.4	551.6	850	65	23
1951.....	2,338	2,402	207.6	552.4	760	73	23
1952.....	2,409	2,501	255.2	784.8	1,040	75	31
1953.....	2,600	2,910	308.6	1,241.4	1,550	80	43
1954.....	2,770	2,940	311.8	1,198.2	1,510	79	41
1955.....	2,850	3,170	271.7	1,328.3	1,600	83	42
1956 ¹	3,010	3,290	300.0	1,700.0	2,000	85	52

¹Estimated.

World wool production in 1956 is estimated at 4,865 million pounds, greasy basis, a 4 percent increase over the 4,685 million pounds in 1955. This marks the ninth year of consecutive increase in the world's wool production.

As a result of unusually large cattle slaughter, the U. S. in recent years has become an important exporter of cattle hides and calf skins. Reduced production in traditional large exporting countries and also the high quality of U. S. hides have increased U. S. exports.

Although production of cattle hides and calf skins throughout the world increased in the postwar period,

consumption likewise increased to absorb most of the surplus. In recent years, the U. S. has become an important competitor in the world market in the sale of cattle hides and calf skins.

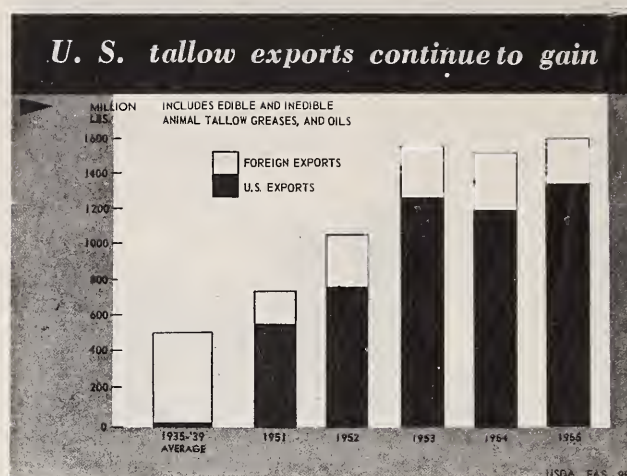


Fig. 10

FATS, OILS AND OILSEEDS

Exports of U. S. fats, oils and oilseeds in 1956 reached a new high and also represented a record share (about 30 percent) of the world's total (Table 29). They also comprised about 35 percent of U. S. production. The rise reflected a high level of economic activity and consequently strong demand in most importing countries, a drastic reduction in 1955-56 Mediterranean olive oil production, and a small 1955 sunflower seed crop in Argentina.

Exports were facilitated by the expanded use of Title I of Public Law 480. Sales for dollars plus exports under P. L. 480 are likely to result in a continued heavy outward movement of edible oils through most of 1957 even though better olive oil production in the Mediterranean area is in prospect and there was an increase in the 1956 Argentine sunflower crop.

Exports of soybeans in 1956-57 are expected to set a new record. Ordinarily, prospects for U. S. exports of flaxseed and linseed oil would be dim because of a sharp expansion in exportable supplies from Canada and Argentina. However, if international tensions continue strong, demand for stock building could result in large U. S. exports.

TABLE 29.--Fats, oils, and oilseeds: United States and world production and exports, average 1935-39 and 1950-54, annual 1955 and 1956¹

(Fat or oil equivalent)

Average or year	Production			Exports			U.S. exports as percent of U.S. production
	United States	World total	U. S. percent total	United States	World total	U. S. percent total	
	1,000 short tons	1,000 short tons	Percent	1,000 short tons	1,000 short tons	Percent	Percent
1935-39.....	3,435	23,995	14.3	144	6,561	21.9	4.2
1950-54.....	6,192	26,839	21.1	1,253	6,401	19.6	20.2
1955.....	6,842	28,627	23.9	1,992	7,536	26.4	29.1
1956 ²	6,750	28,900	23.3	2,430	7,900	30.7	36.0

¹Includes 22 major vegetable, animal, and marine fats and oils.

²Partly estimated.

A substantial increase in U. S. exports of oilseed meals to Western Europe and Canada in the last two marketing years reflects lower U. S. prices, rising foreign demand for protein concentrates, and reduced exportable supplies in Argentina. However, net exports in 1955-56 still represented only about 6 percent of U. S. production. U. S. exports in 1956-57 are being encouraged by lower prices of U. S. soybean meal and reduced indigenous supplies in some European countries. This may be offset by larger exportable supplies from Canada, Argentina, India and the meal obtained from increased exports of U. S. soybeans.

Flaxseed and linseed oil.--In recent years, strong world demand and limited foreign supplies enable the U. S. to export large quantities of flaxseed and linseed oil (Tables 30 and 31). A sharp upturn took place in 1956 in Canadian and Argentine production (our major competitors) and prospects for U. S.

TABLE 30.--Flaxseed: World production by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Area	Average		1955 ¹	1956 ²	Percent that 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Foreign production:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Non-Communist:						
Argentina.....	60	18	9	25	42	139
Canada.....	2	10	20	35	1,750	350
India.....	18	15	15	15	83	100
Uruguay.....	4	4	2	3	75	75
Others.....	4	9	11	15	375	167
Total.....	88	56	57	93	106	166
Communist countries.....	35	29	--	--	--	--
United States.....	11	37	41	52	473	141
World total.....	134	122	126	174	130	143
United States percent of world.....	Percent 8	Percent 30	Percent 32	Percent 30	--	--

¹Preliminary.

²Partly estimated.

TABLE 31.--Flaxseed (including flaxseed equivalent of linseed oil): World exports by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Area	Average		1955 ¹	1956 ²	Percent that 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Foreign exporting areas	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Non-Communist:						
Argentina.....	59	22	18	7	12	32
Canada.....	(³)	4	10	13	--	325
India.....	10	2	8	5	50	250
Uruguay.....	3	4	3	1	33	25
Others.....	1	3	2	12	--	400
Total.....	73	35	41	38	52	108
Communist countries.....	1	1	1	--	--	--
United States.....	--	10	12	14	--	140
World Total.....	74	46	54	52	70	113
United States percent of world.....	Percent --	Percent 22	Percent 22	Percent 27	--	--

¹Preliminary.

²Partly estimated.

³Less than 500,000 bushels.

exports in 1956-57 at levels reflecting support prices are not good. However, if international tensions continue strong, demand by importing countries to build up reserves against contingencies could result in considerable U. S. exports.

Canada's emergence as a leading producer has been recent. Output tripled from 1954 to 1956, producing a large exportable supply. Prices, which are not supported, have been favorable in relation to wheat, with which flaxseed competes for land. Also, until fall 1956 there were no quotas on farmers' deliveries to elevators, as there were on wheat, barley and oats. There have been heavy carryovers of wheat on Canadian farms in recent years. Marketing quotas were placed on the 1956 flaxseed crop but did not impede the orderly movement of the crop. Except for these quotas, the Canadian Government has not played an active role in the production and marketing of flaxseed.

In most years, Argentina is the largest foreign producer of flaxseed and exporter of linseed oil. Production in 1950-54, however, averaged only about 30 percent of prewar. This decline was the result of low fixed prices to farmers for flaxseed in relation to competing crops and postwar government policies which favored industrialization at the expense of agriculture.

A change of policy was initiated recently. Support for the 1956 flaxseed crop was set at 120 percent above the 1954 level and also was much more favorable in relation to wheat, the principal competing crop. The desired response from farmers was achieved and the crop harvested in December 1956 was the largest since 1949. It appears to be the policy of the Provisional Government, which took office in late 1955, to encourage expanded output of flaxseed and linseed oil for export. Only about 20 percent of the 1956 crop can be consumed at home.

Argentina's competitive position is not impaired despite the increase in supports; export quotations in foreign currencies are actually lower because the value of the Argentine peso has declined more than the support has increased. For example, the dollar is now equal to over three times as many pesos, at the official exchange rate, as it was two years ago. Consequently, even though the Argentina support price has gone up in terms of pesos, this quantity of pesos can be obtained with fewer dollars than formerly.

Under Peron, the Government purchased the crop outright and was the sole exporter of oil. Practically no flaxseed was exported. In contrast, the Provisional Government has authorized free trading in flaxseed and processed linseed oil. Exports of crude linseed oil still are handled by the Government. The Government will establish export quotas on flaxseed whenever supplies for domestic use are short. Flaxseed prices are being supported by methods similar to those used by our Commodity Credit Corporation. The Government maintains an official exchange rate which returns fewer pesos to the dollar than does the free market rate.

It also maintains the "aforo" system which permits the Government to vary the amount of foreign currency from a given quantity of exports which must be exchanged at the official rate and thus to change the number of pesos received by the exporter. In this way exports of any given product can be encouraged or discouraged.

Soybeans and soybean oil. -- The U. S. and Communist China produce over 20 percent of the world's soybeans, and export nearly all of the beans and oil that move in world trade (Tables 32 and 33). Total world exports have been trending upward since 1951. The U. S. share has increased in the last two years. Shipments from the U. S. comprised over 75 percent of the total in 1956 compared with the 1950-54 average of 65 percent. Chinese exports also have been trending upward. Prior to World War II, China was virtually the sole exporter of soybeans (Fig. 11).

Production in China (including Manchuria) has been relatively stable in the last five years at a level moderately below prewar. It is reported that most of

TABLE 32.--Soybeans: World production by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Area	Average		1955 ¹	1956 ²	Percent that 1956 is of--	
	1936-39	1950-54			1935-39	1950-54
Foreign production:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Non-Communist:						
Brazil.....	--	3	4	4	--	133
Canada.....	(³)	4	6	5	--	125
Indonesia.....	10	11	13	14	140	127
Japan.....	12	16	19	16	133	100
Others.....	9	8	8	10	111	125
Total.....	31	42	50	49	158	117
Communist countries:						
China.....	359	316	335	325	91	103
Others.....	18	9	10	10	56	111
Total.....	377	325	345	335	89	103
United States.....	56	298	371	457	839	158
World total.....	464	665	766	841	184	128
United States percent of world.....	Percent 12	Percent 45	Percent 48	Percent 54	--	--

¹Preliminary.

²Partly estimated.

³Less than 500,000 bu.

TABLE 33.--Soybeans (including soybean equivalent of soybean oil): World exports by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Area	Average		1955 ¹	1956 ²	Percent that 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Foreign exporting areas:	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Non-Communist:						
Brazil.....	(³)	1	2	1	--	100
Others.....	4	1	(³)	(³)	--	--
Total.....	4	2	2	1	25	50
Communist countries:						
China.....	86	27	39	40	47	148
United States.....	6	54	85	128	2,133	237
World total.....	96	83	126	169	176	204
United States percent of world.....	Percent 6	Percent 65	Percent 67	Percent 76	--	--

¹Preliminary.

²Partly estimated.

³Less than 500,000 bushels.

the effort devoted to opening new land is concentrated in a province in which soybeans is an important crop. However, competition from food grains is at least partially offsetting government measures to raise soybean output.

The acreage planted to soybeans in 1956 reportedly increased but production may even have declined somewhat because of floods. Exports are controlled by the government and decisions to export may be made for reasons not directly related to the supply-demand situation for soybeans. Most of the beans go to the Communist Bloc in Europe but increasing quantities are being taken by Japan and Western Europe. Restrictions on what Communist China can take

in return for her beans are greater in Japan than in many other areas. Consequently there is an inducement for China to sell her soybeans in markets other than Japan.

Japan is the largest customer for U. S. soybeans followed by Germany, the Netherlands, and Canada. German takings were encouraged by the removal in May 1955 of restrictions on imports of oilseeds for dollars. Sweden is temporarily lifting restrictions on imports of soybeans and oilcakes from the dollar area because of the short rapeseed crop this year. As of October 1, 1956, Japan began collecting the 10 percent import duty on soybeans which had been suspended for years by a series of temporary administrative orders. However, this is not likely to materially affect imports. Domestic production is down from last year and the foreign exchange allocation for soybean imports has been raised.

Prices of U. S. soybeans generally have been competitive with Chinese soybeans except during the summer of 1956 when U. S. prices rose sharply.

U. S. exports of 1956 crop soybeans are expected to increase considerable over last year's record 67 million bushels, reflecting strong demand.

Cottonseed and cottonseed oil.--Foreign cottonseed production has been trending upward (see cotton discussion).

Cottonseed and cottonseed oil were not among the leading items in the world fats and oils trade until large oil shipments from the U. S. began in 1954. Most of the major foreign producers consume their seed at home. What foreign exports there are come mainly from minor producers, mostly in Africa and Asia. Exports from the U. S. in the last three years comprised 70 to 80 percent of total world shipments (Table 34).

Foreign production of cottonseed oil could be expanded sharply by crushing a larger percentage of the crop (Table 35). In some countries only a relatively small part is processed. This is particularly true of India, a major producer, where only an estimated 12 percent of the crop is crushed. Most of the Indian output is used directly as fertilizer, fuel and cattle feed. However, the percentage crushed is rising and is being encouraged by a recent 50 percent cut in the processing tax on factory-produced cottonseed oil.

Peanuts and peanut oil.--Unlike in the U. S., where peanuts are produced mainly for food and farm uses, peanuts are grown in most other countries primarily for crushing into oil and meal. However, foreign peanut oil does compete in the importing countries with U. S. cottonseed and soybean oils. Peanut oil is the leading food oil exported by other countries. Foreign peanut output and exports have been trending upward. Production in 1956 set a new record and probably will be reflected in expanded exports in 1957. India, Communist China, Nigeria and French West Africa produce and export the bulk of the world's supply (Tables 36 and 37).

India controls exports of peanuts and peanut oil under an allotment quota system to insure sufficient supplies for the domestic market. Exports were temporarily banned in the spring of 1956 because of short supplies resulting from the reduced crop in 1955.

Peanut producers in French West Africa are paid minimum prices fixed by the Metropolitan government based on the cost of producing rapeseed oil in France. As these prices are above world levels, exports are attracted almost

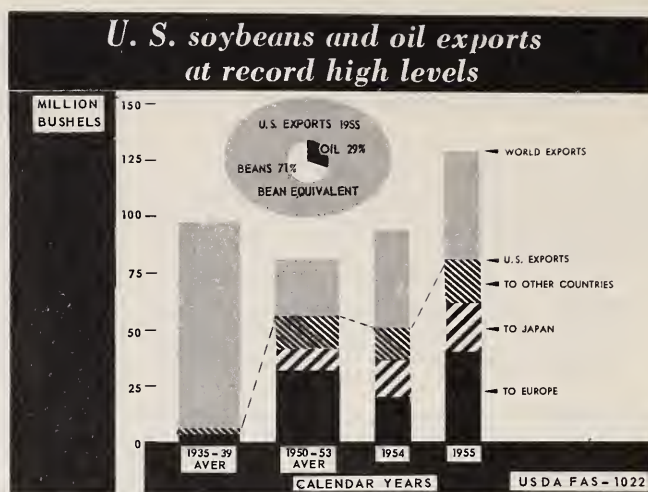


Fig. 11

TABLE 34.--Cottonseed: World production by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Area	Average		1955 ¹	1956 ²	Percent 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Foreign production	1,000	1,000	1,000	1,000		
Non-Communist:	short tons	short tons	short tons	short tons	Percent	Percent
Argentina.....	147	284	268	280	190	99
Brazil.....	935	794	816	--	--	--
Egypt.....	1,007	911	820	813	81	89
India.....	³ 2,984	1,907	2,128	2,352	79	123
Mexico.....	160	640	1,080	864	540	135
Pakistan.....	(²)	674	724	714	--	106
Peru.....	202	230	267	267	132	116
Sudan.....	132	205	235	--	--	--
Turkey.....	126	318	306	319	253	100
Others.....	797	1,252	1,712	1,825	148	94
Total.....	6,490	7,215	8,356	8,490	121	109
Communist countries:						
China.....	1,593	1,639	--	--	--	--
Others.....	1,658	2,223	--	--	--	--
Total.....	3,251	3,862	4,456	4,799	148	124
United States.....	5,554	5,808	6,038	5,431	98	94
World total.....	15,295	16,885	18,850	18,720	122	111
United States percent of world.....	Percent 36	Percent 34	Percent 32	Percent 29	--	--

¹Preliminary

²Partly estimated.

³1935-39 figure for India includes Pakistan.

TABLE 35.--Cottonseed (including cottonseed equivalent of cottonseed oil): World exports by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Area	Average		1955 ¹	1956 ²	Percent that 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Foreign exporting areas:	1,000	1,000	1,000	1,000		
Non-Communist:	short tons	short tons	short tons	short tons	Percent	Percent
Brazil.....	247	13	--	--	--	--
Egypt.....	447	47	33	--	--	--
Kenya and Uganda.....	100	53	53	--	--	--
Pakistan.....	--	73	⁴ 120	--	--	--
Sudan.....	100	146	147	--	--	--
Others.....	166	207	327	--	--	--
Total.....	1,060	540	680	660	397	319
Communist countries:						
China.....	133	47	6	7	5	15
United States ⁵	19	677	2,077	1,839	9,680	272
World total ⁶	1,212	1,264	2,764	2,506	207	198
United States percent of world.....	Percent 2	Percent 54	Percent 75	Percent 73	--	--

¹Preliminary.

²Partly estimated.

³Less than 500 tons.

⁴Includes rapeseed.

⁵Crude and refined oil in terms of crude.

⁶The oil equivalent in 1,000 short tons is as follows: 1935-39 - 182; 1950-54 - 193; 1952 - 125; 1953 - 155; 1954 - 395; 1955 - 425; 1956 - 425.

TABLE 36.--Peanuts: World production by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

Area	Average		1955 ¹	1956 ¹	Percent that 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Foreign production:	1,000	1,000	1,000	1,000		
Non-Communist:	short tons	short tons	short tons	short tons	Percent	Percent
Argentina.....	87	150	130	238	274	159
Belgian Congo.....	² 65	195	--	--	--	--
Brazil.....	² 15	161	205	138	920	86
Burma.....	192	189	239	252	131	133
French West Africa.....	² 785	891	1,000	950	121	107
India.....	3,296	3,782	4,260	4,700	143	124
Indonesia.....	289	347	358	364	126	105
Nigeria.....	600	843	1,100	900	150	106
Union of South Africa.....	12	133	213	225	1,875	169
Others.....	557	1,165	1,415	1,436	258	123
Total.....	5,898	7,856	9,095	9,378	158	119
Communist countries:						
China.....	3,034	2,604	2,620	2,700	89	104
Others.....	17	19	19	19	112	100
Total.....	3,051	2,623	2,639	2,719	89	104
United States.....	615	770	782	744	121	97
World total.....	9,564	11,249	12,516	12,841	134	114
United States percent of world.....	Percent 6	Percent 7	Percent 6	Percent 6	--	--

¹Preliminary.

²1-year only.

TABLE 37.--Peanuts (including peanut equivalent of peanut oil): World exports by areas, average 1935-39 and 1950-54, annual 1955 and 1956, with comparisons

(In shell)

Area	Average		1955 ¹	1956 ²	Percent that 1956 is of--	
	1935-39	1950-54			1935-39	1950-54
Foreign exporting areas:	1,000	1,000	1,000	1,000		
Non-Communist:	short tons	short tons	short tons	short tons	Percent	Percent
Brazil.....	(³)	14	31	--	--	--
French West Africa.....	707	638	600	793	112	124
Gambia.....	59	62	66	69	117	111
India.....	1,076	217	669	121	11	56
Mexico.....	(³)	28	38	--	--	--
Nigeria.....	355	545	797	828	233	152
Portuguese Guinea.....	28	38	28	--	--	--
Sudan.....	7	24	55	--	--	--
Thailand (Siam).....	--	28	34	--	--	--
Union of South Africa.....	(³)	59	138	--	--	--
Others.....	448	117	138	--	--	--
Total.....	2,680	1,770	2,594	2,259	84	128
Communist countries:						
China.....	259	214	386	483	186	226
United States.....	(³)	86	3	17	--	20
World total ⁴	2,939	2,070	2,983	2,759	94	133
United States percent of world.....	Percent --	Percent 4	Percent --	Percent 1	--	--

¹Preliminary.

²Partly estimated.

³Less than 500 tons.

⁴The oil equivalent in 1,000 short tons is as follows: 1935-39 - 852; 1950-54 - 600; 1952 - 525; 1953 - 630; 1954 - 742; 1955 - 865; 1956 - 800.

entirely to France. Edible oils bought by France on the world market at below French price levels are sold in consumption channels at French market prices. The difference above cost, plus profit allowances to the importers, accrues to the French government and is used to maintain prices established for rapeseed in France and peanuts in French West Africa and other overseas territories. At times, export licenses and ceiling prices have been imposed on French West African peanuts to limit price rises in France.

Government marketing boards establish and pay minimum prices to producers, control the marketing, and are the sole exporters of Nigerian peanuts. The boards accumulated substantial monetary reserves in 1949-53, when selling prices were above the guarantee, but minimum prices for the 1954 crop were above the world level and the Board had to make up the difference. Minimum prices have been moderately reduced since then. It is Board policy not to change the price by more than 10 percent from one year to the next.

Intensified efforts to counteract the shortage of vegetable oils in China are believed to have resulted in larger peanut crops in the last few years. Peanuts were recently listed as a crop "for which production targets must be fulfilled." Production apparently increased in 1956, reflecting expanded plantings. Exports increased substantially in the last two years.

FRUITS AND VEGETABLES

Fruits

Exports of U. S. fruits and fruit products accounted for nearly 10 percent of the total sales of these items from the 1955 crops. This is the largest share of total domestic and export sales represented by exports during the past 5 years. The export share was 13.7 percent during the prewar period.

The U. S. share of world production of all fruits increased slightly in 1955 from its 1954 level (Table 38). The U. S. share of world trade in fruit items also increased in 1955-56. Data for calendar 1955 (Table 39), do not fully reflect exports of the 1955 crops.

Fresh Apples and Pears.--Production of apples and pears in foreign countries has been expanding in recent years and is expected to continue to expand. European production of fresh apples last season, however, amounted to 209 million bushels--about 15 percent less than the average of the two preceding years--largely because of unfavorable growing conditions in the spring. The 1955 European table-pear crop amounted to 84 million bushels which equals the average of the two preceding years (Table 40).

Partly because of the smaller European apple crop and partly because of import programs established for the United Kingdom and Western Germany,

TABLE 38.--Fruits: United States share of world production, crop years, average 1934-38, annual 1951-55

Crop season	Citrus and deciduous fruit	Citrus fruit	Fresh deciduous fruit ¹	Canned fruit ²	Dried fruit ³
	Percent	Percent	Percent	Percent	Percent
Average 1934-38.....	35	40	31	78	48
1951.....	33	46	27	78	47
1952.....	28	44	22	76	48
1953.....	30	46	23	76	39
1954.....	30	45	23	71	40
1955.....	32	47	26	73	45

¹Excluding grapes crushed for wine.

²Excluding citrus.

³Excluding dates and figs.

TABLE 39.--Fruits: United States share of world trade, calendar years, average 1934-38, annual 1951-55

Calendar year	Citrus fruit	Fresh deciduous fruit	Canned fruit ¹	Dried fruit ²
	Percent	Percent	Percent	Percent
Average 1934-38.....	12	27	44	36
1951.....	17	12	15	22
1952.....	16	9	23	32
1953.....	17	8	21	25
1954.....	17	9	24	22
1955.....	17	9	24	22

¹Excluding citrus.

²Excluding dates and figs.

TABLE 40. Fruit, deciduous: World production by areas, average 1934-38, annual 1953-55, with comparisons

Commodity and Area	Average 1934-38	1953	1954	1955	Percent that 1955 is of 1934-38
Apples, table:	Million bushels	Million bushels	Million bushels	Million bushels	Percent
Western Europe.....	126	228	263	209	166
Southern Hemisphere ¹	17	31	38	33	194
Other foreign countries.....	29	45	47	47	162
Total foreign.....	172	304	348	289	168
United States.....	127	93	112	106	84
World total ²	299	397	460	395	132
United States percent of world.....	42	23	24	27	--
Pears, table:					
Western Europe.....	43	88	79	84	195
Southern Hemisphere ¹	6	9	12	10	167
Other foreign countries.....	12	11	11	13	108
Total foreign.....	61	108	102	107	175
United States.....	29	29	30	30	103
World total ²	90	137	132	137	152
United States percent of world.....	32	21	23	22	--

¹Includes Argentina, Chile, Union of South Africa, Australia, and New Zealand.

²Excludes Soviet Bloc countries.

exports of U. S. apples and pears to Europe were larger than those in any season since 1951. About 800,000 boxes of apples and 250,000 boxes of pears were exported in 1955-56 from the U. S. to European markets. These quantities compared with prewar averages of around 8.5 million and 2 million boxes, respectively. Prices of U. S. apples and pears were higher in European countries than those of most apples and pears from competing countries. This normally is the case, since the European market was developed for U. S. deciduous fruits largely as a result of the quality of North American supplies.

Apples and pears are produced in every European country. The principal European exporter of these items, however, is Italy where production is expected to continue to increase and marketing practices and quality of fruits are being improved. In the European importing countries too, production has increased and marketing practices are improving. Moreover, handling practices have shown noticeable improvement in Australia, Argentina, and South Africa, which have been exporting increasing quantities of deciduous fruits which

compete with North American supplies during the late spring months in European markets. Thus, the long-time outlook is for increasing competition with improved quality fruit from Europe and from the Southern Hemisphere.

The principal barriers to continued increases in exports of U. S. fresh apples and pears are those imposed on imports by most European countries. Continued emphasis is being placed by the U. S. Government on the reduction of these barriers.

European supplies of table apples for the 1956-57 season are expected to approximate 275 million bushels, or nearly one-third more than last season. At the same time, both U. S. and Canadian crops are relatively short. Thus, it seems likely that relatively few North American apples will be exported to the European market this season in view of the more attractive marketing opportunities available at home.

Exports of U. S. pears (to European markets), on the other hand, may be expected to increase, provided that foreign countries will authorize their importation. The U. S. fall and winter pear crop is larger than that of last year, whereas European table-pear supplies are estimated at 75 million bushels, or about 10 percent less than the 1955 crop.

Citrus Fruit.--The 1955-56 citrus export market was dominated by the far-reaching effects of the severe Spanish freeze in February which created shortages in Europe's orange market overnight. The freeze heavily damaged the trees in about half of Spain's sweet orange-producing areas. Thus, there will be short winter orange supplies in the Mediterranean for several years. Overall citrus production in foreign commercial areas is expected to increase for the next several years (Table 41).

Fresh Citrus.--The early 1955-56 citrus season in Europe, our major off-shore market, was characterized by heavy competition from record winter orange supplies of excellent quality Mediterranean fruit. However, February's freeze in Spain dramatically changed the European market situation. Spring prices, which were expected to be the lowest since the war, were the highest on record.

Spanish oranges, selling in Europe's auctions February 1 at \$3.15 to \$5.50 per box, were bringing \$5.50 to \$7.50 per box by March 1. As a result, U. S. winter orange exports to Europe were the largest on record and prices for Mediterranean and U. S. oranges increased sharply. U. S. orange exports to Europe through July 1956 totaled 3.9 million boxes compared to exports of 2.9 million boxes in the 1954-55 season.

Fresh grapefruit exports to Europe increased from a total of 359,000 boxes in the 1954-55 season to 561,000 boxes through July 1956. Much of this increase in exports was shipped to the United Kingdom.

California lemons continued to dominate Continental European markets, and sold at a premium over Mediterranean fruit. Exports to Europe, which in 1950 were 102,000 boxes, reached 1.2 million in 1954 and 1.3 million boxes in 1955. The quality of the California fruit is largely responsible for this increase.

In the 1956-57 season, Western European markets will be undersupplied with winter oranges because of Spain's freeze-damaged industry. The short Spanish supplies will create excellent opportunities for U. S. exports of oranges to Europe from November 1956 to May 1957. Tree damage in Spain will affect winter orange export opportunities for several years.

In contrast, U. S. summer orange producers are likely to meet increased competition in Europe in 1957 from larger supplies of Southern Hemisphere oranges. South African orange production is expected to increase rapidly during the next several years, because of heavy new plantings made since 1949.

Processed Citrus Products.--U. S. exports of single-strength orange juice increased from 2.1 million cases in 1954 to about 2.4 million cases in 1955. Exports to Canada increased by about 300,000 cases. Exports to Europe

TABLE 41.--Fruit, citrus: World production by areas, average 1935-39, annual 1953-55, with comparisons

Commodity and Area	Average 1935-39	1953	1954	1955	Percent that 1955 is of 1935-39
Oranges and tangerines:	Million boxes	Million boxes	Million boxes	Million boxes	Percent
Mediterranean ¹	60	114	105	106	177
Southern Hemisphere ²	62	63	63	69	111
Other foreign.....	24	35	45	40	167
Total foreign.....	146	212	213	215	147
United States.....	67	131	136	137	204
World total ³	213	343	349	352	165
United States percent of world.....	32	38	39	39	--
Grapefruit:					
Mediterranean ¹	2	2	2	2	100
Southern Hemisphere ²	1	1	1	1	100
Other foreign.....	--	2	2	2	--
Total foreign.....	3	5	5	5	167
United States.....	32	48	42	45	141
World total ³	35	53	47	50	143
United States percent of world.....	91	91	89	90	--
Lemons:					
Mediterranean ¹	12	14	14	14	117
Southern Hemisphere ²	1	3	3	2	200
Other foreign.....	--	--	--	--	--
Total foreign.....	13	17	17	16	123
United States.....	10	16	14	13	130
World total ³	23	33	31	29	126
United States percent of world.....	43	48	45	45	--

¹Includes the following countries for oranges, tangerines and lemons: Greece, Italy, Spain, Cyprus, Iran (oranges only), Lebanon, Israel, Syria, Turkey, Algeria, Egypt, French Morocco and Tunisia; for grapefruit: Cyprus, Israel, Algeria and French Morocco.

²Includes: Argentina, Bolivia, Brazil, Chile, Ecuador, Paraguay, Peru, Uruguay, Union of South Africa, Australia and New Zealand; for lemons and grapefruit: Argentina, Uruguay, and Chile (lemons only). Union of South Africa, Australia, and New Zealand.

³Excludes Soviet Bloc countries.

declined slightly. Single-strength grapefruit juice exports declined slightly from 1,527,000 cases in 1954 to about 1,458,000 cases in 1955. Exports to Canada declined somewhat, while exports to Europe continued to increase.

Frozen orange juice concentrate exports increased from 2.3 million cases in 1954 to 2.7 million cases in 1955. Of this total, about 2.5 million cases went to Canada and less than 100,000 cases to Western Europe.

Hot pack orange juice concentrate exports have increased steadily in the past 5 years from 64,000 cases in 1951 to 938,000 cases in 1954 and 1,267,000 cases in 1955. Unlike other juice products, Western Europe is our best customer, taking over one million cases in 1955.

In Western Europe, Florida single-strength citrus juices continued to dominate open Western European markets. In Belgium, Switzerland, Netherlands, and Germany, only Florida juices are seen in retail stores. Competing juices are sold in restricted markets such as the United Kingdom and Denmark.

Exports of grapefruit sections in 1955 of 575,000 cases were 400,000 cases larger than the 1954 total but less than one-half of the 1.2 million average

cases exported in 1934-38. Nearly all of the increase in exports is due to increased sales to the United Kingdom under a currency conversion program.

There are excellent future prospects for increased hot pack orange juice concentrate exports to Western Europe's soft drink bottlers.

Single-strength juice exports will probably increase gradually as European consumption grows. Frozen juice exports will continue to be nominal except to Canada. In the immediate future, grapefruit section exports will depend on the possibility of sales under currency conversion programs in the United Kingdom.

Reduced Spanish production may also create opportunities for the export of some frozen concentrated orange juice to England and Switzerland and orange oil to England and Germany.

Important foreign suppliers of orange products are Spain, Israel, Italy, and the West Indies. The West Indies and Israel are sources of grapefruit products. Increasing production can be expected in Israel and the West Indies, but Spain's potential increase has been retarded by the 1956 freeze. Each competitor has unrestricted access to the United Kingdom which is Europe's largest citrus products market. In liberalized European markets, the U. S. products have competed successfully with foreign products.

Dried Fruit.--Raisins.--As a result of short foreign supplies and strong foreign demand, the 1955-56 international raisin market was exceptionally strong. A sharply smaller Turkish crop, a poor quality Australian crop, and a short Greek currant crop featured the supply situation (Table 42).

The decrease in exports of Turkish Sultanas and Greek currants more than offset the increase in Iranian exports.

U. S. exports, amounting to 79,394 tons, were the highest since 1952-53. Movement abroad of U. S. golden seedless raisins was exceptionally large because of the shortage of highly-colored foreign Sultanas. Exports of surplus pool natural Thompson raisins accounted for virtually all of the surplus.

TABLE 42.--Fruit, dried: World production by areas, average 1934-38, annual 1953-55, with comparisons

Commodity and Area	Average 1934-38	1953	1954	1955	Percent that 1955 is of 1934-38
Raisins:	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	Percent
Mediterranean ¹	155	203	186	167	108
Southern Hemisphere ²	76	108	102	96	126
Total foreign.....	231	311	288	263	114
United States.....	219	233	168	224	102
World total.....	450	544	456	487	108
United States percent of world.....	49	43	37	46	--
Prunes:					
Mediterranean ¹	24	60	17	35	146
Southern Hemisphere ²	7	16	13	17	243
Total foreign.....	31	76	30	52	168
United States.....	235	148	178	135	57
World total.....	266	224	208	187	70
United States percent of world.....	88	66	86	72	--

¹For raisins, includes the following countries: Cyprus, Greece, Iran, Spain, and Turkey. For prunes, France and Yugoslavia.

²For raisins, includes the following countries: Argentina, Australia, Chile, and Union of South Africa. For prunes, Australia, Chile, Union of South Africa, and Argentina.

Both foreign and U. S. export prices rose during the season and closed at their highest levels. U. S. prices were generally competitive with foreign growths. Turkey, the only major exporting country, resorted to an export subsidy, of at least 4.86 cents per pound for the main grades of Sultanas going to major markets.

Despite the subsidy, Turkish prices were at a fairly high level because of inflation. The Greek cooperatives did not find it necessary to buy at the Government-set "security" prices because of the strong market. Australian and South African exports continued under the control of marketing boards.

The 1956-57 outlook is for keener foreign competition, despite an unusually strong opening market. Importing countries, particularly the United Kingdom, have been offering prices well above those prevailing at the outset of the 1955-56 season. The strong early tone of the market was due mainly to a short 1956 Australian crop and the low level of world stocks. However, in Turkey, Greece, and Iran, the 1956 packs were exceptionally large.

Turkish exports are again being subsidized at 4.86 cents and upwards for sales to Western European markets. The Turkish Government, with a record-large pack in prospect, has instituted both grower support prices and minimum export prices, while the Greek Government has again set "security prices" for the growers.

Prunes.--The 1955-56 season was characterized by large foreign crops and a small U. S. crop. Yugoslavia, France, Argentina, Chile, and South Africa all had above-average crops.

Exports from Yugoslavia, California's major competitor, were at a high level. A significant feature in the Yugoslav export pattern has been the resumption of heavy exports to the Soviet Bloc. During the calendar year 1955, for example, Yugoslav prune exports to the Soviet Bloc totaled 16,519 short tons, while in the years 1950 to 1954 there were no exports to the Soviet Bloc.

This renewed movement of Yugoslav prunes to the East has relieved the competitive pressure from Yugoslav prunes in some of the Western European markets which Yugoslavia had turned to after the Iron Curtain countries cut off trade with Yugoslavia.

U. S. exports of prunes totaled 38,477 tons in 1955-56, slightly less than for the preceding season and less than 40 percent of the prewar level.

Competition with Yugoslav prunes is mainly a matter of U. S. quality vs. Yugoslav price. In Western Germany this past season, Yugoslav prunes of the smaller sizes--which make up the bulk of Yugoslav production--sold for 2 to 4 cents per pound less than U. S. prunes of comparable sizes, with the least spread for the smallest sizes.

In recent years, an increasing proportion of U. S. production has been in the smaller sizes which are priced at a considerable discount compared with the large sizes. This has tended to make U. S. prunes more competitive in foreign markets where small prunes are acceptable, but on the other hand has made it more difficult to provide the desired sizes in markets where large sizes are preferred. There are no free market prices for Yugoslav prunes, either to growers or for packed prunes, since the prune industry is under Government control.

The 1956-57 export outlook is relatively favorable for the U. S. in view of an extremely short 1956 Yugoslav crop, a large California crop, and the absence of burdensome stocks abroad.

Tree Nuts

Foreign supplies of tree nuts in 1955-56 were the lowest in many years because of a record-small almond crop and an exceptionally small carryover of almonds and filberts. The U. S. was short of pecans.

Because of short supplies, exports of almonds by the Mediterranean producers fell to the lowest level in years while Filbert exports were lower than in the preceding season.

Prices of competitive tree nuts rose sharply in 1955-56. Italian almond prices, which rose nearly 100 percent during the season, closed near the peak. Turkish filbert and French and Italian walnut prices also registered strong increases but declined later in the season practically to opening levels. Cashew and Brazil nut prices, however, did not participate in the general increase.

In the main arena of competition for U. S. tree nuts--the domestic market--competition from imports presented a varying picture. Almond imports, despite extraordinarily high U. S. prices, were the smallest in many years and of negligible proportions. Filbert imports were considerably less than in recent years.

Walnut imports, however, were the largest since the war because of abundant foreign supplies and high U. S. prices. Walnut imports influenced the shelled walnut market in the U. S. Though imports of cashews were lower, reportedly because of large U. S. stocks, imports of Brazil nuts were substantially greater than in the previous season. Total imports of tree nuts were somewhat greater in 1955-56 than in 1954-55.

The current season is highlighted by another Mediterranean almond crop failure, even worse than last season. The foreign filbert crop is larger than that of a year ago, because of high Turkish production. Prices, however, have remained fairly stable because of Turkey's price supports. A large Italian walnut crop was almost offset by a reduction in the size of the French crop.

Canned Fruit

Production of canned fruits in foreign countries during the 1955-56 season remained at relatively high levels. This amounted to about 34 million cases compared to 33 million cases for the preceding season. Production averaged 25 million cases for the two preceding seasons, and 15 million cases during the prewar period (Table 43).

U. S. canned fruit production was at record levels in 1955-56. It approached 90 million cases which compared with slightly more than 80 million cases for the preceding two seasons, and about 45 million cases in the prewar period.

TABLE 43.--Fruit, canned: World production by country, average 1934-38, annual 1953-55, with comparisons

Country	Average 1934-38	1953	1954	1955	Percent that 1955 is of 1934-38
	Million cases ¹	Million cases ¹	Million cases ¹	Million cases ¹	Percent
Australia.....	2	5	8	8	400
Union of South Africa.....	(2)	2	3	3	--
Other foreign.....	13	18	22	23	177
Total foreign.....	15	25	33	34	227
United States.....	46	80	83	90	196
World total ³	61	105	116	124	203
United States percent of world.....	Percent 75	Percent 76	Percent 72	Percent 73	--

¹Equivalent 24/2-1/2 cans.

²Less than 500,000 cases.

³Excludes Soviet Bloc countries.

U. S. canned fruit exports for the 1955-56 season were nearly one-half again as large as those of the preceding season. This was the fourth season in which exports of U. S. canned fruits have increased.

Exports of U. S. canned fruits to Europe were more than double those of the preceding season. This was largely the result of the program under which imports of U. S. canned fruits were authorized into the United Kingdom under a currency conversion program.

U. S. exports of canned fruits last season amounted to nearly 70 percent of their prewar volume. The U. S. share of world exports of canned fruits was about 24 percent in the 1955-56 season as compared with 44 percent prior to the war. The increase in production and exports of canned deciduous fruits from South Africa and Australia in recent years, coupled with the restrictions on imports of U. S. canned fruits into the United Kingdom, largely explains the smaller U. S. share.

U. S. canned fruit prices are competitive with those of other producing countries. Increasing supplies of U. S. canned fruits in the United Kingdom market have resulted in lower prices to British consumers. Up to the present time, the United Kingdom is the primary importing country of canned fruits in Europe.

A program has been announced by the United Kingdom for the 1956-57 marketing season which will enable imports of about 10 percent larger quantities from the U. S. than in 1955-56. This, coupled with gradually increasing opportunities in other countries, should lead to larger exports this season than last year.

For the next several years, it seems likely that production of canned fruits in South Africa will continue to expand because of increasing quantities of raw products. It seems unlikely that production of canned fruits from Australia, the other principal U. S. competitor, will continue to increase since Australian raw product and labor costs tend to be higher than those in this country.

Vegetables

Fresh frozen and processed vegetables.--Most of the U. S. trade in vegetables is with Canada, Cuba, Mexico, and Venezuela. Exports have shown a steady growth in recent years both in terms of quantity and value, while the value of imports has shown a steady decline. A part of the decline in imports was caused by short winter vegetable crops in Mexico (Table 44).

Exports of vegetables will continue the upward trend, the rate depending largely on the level of business activities in these countries. Europe is not an important market for U. S. vegetables.

Cuba and Mexico are the principal competing countries for winter vegetables. Fresh tomatoes from these countries makes up about one-third of the total value of all U. S. vegetable imports. The bulk of the potato trade is with Canada, imports and exports are about in balance.

TABLE 44.--Vegetables, fresh frozen, and processed: United States exports and imports, calendar years, 1953-55

Commodity	1953		1954		1955	
	Quantity	Value	Quantity	Value	Quantity	Value
Exports:	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars
Vegetables, frozen.....	10,290	2,170	11,905	2,243	15,792	3,127
Vegetables, fresh.....	918,338	34,326	1,051,255	38,990	1,173,234	45,537
Vegetables, processed.....	158,611	23,070	168,950	25,261	187,701	28,251
Total exports.....	1,087,239	59,566	1,232,110	66,494	1,376,727	76,915
Total imports.....	--	45,250	--	38,274	--	33,531

Dry Edible Beans.--During World War II and later, the U. S. became the world's largest exporter of dried beans.

Generally, bean prices in the exporting countries have been below U. S. support prices. Most of the U. S. beans entering the export trade have been sold by CCC at reduced prices. These beans generally are superior in quality and more uniformly graded than most of the beans offered in world trade. The importing countries have specific preferences for certain classes of beans. The United Kingdom market prefers white beans, particularly pea beans, and will not purchase colored beans even when white beans are unavailable (Table 45).

TABLE 45.--Beans, dry edible: World production by areas, average 1935-39, annual 1953-55, with comparisons

Area	Average 1935-39	1953	1954	1955	Percent that 1955 is of 1935-39
Principal exporting areas:	Million bags	Million bags	Million bags	Million bags	Percent
United States.....	14.5	18.2	18.9	18.7	129
Chile.....	1.7	1.7	1.7	1.9	112
Non-exporting areas:					
Brazil.....	18.2	30.6	34.0	32.5	179
Other.....	26.8	28.3	32.1	39.9	149
World total ¹	1.2	78.8	86.7	93.0	152
United States percent of world.....	Percent 24.0	Percent 23.0	Percent 22.0	Percent 20.0	

¹Excludes Africa and Soviet Bloc countries. Not included are about 25 million bags in China, 9 million bags in Soviet Bloc and unreported production in Asia.

In the Western European markets, U. S. beans have largely replaced beans formerly supplied by Iron Curtain countries. The principal countries currently competing in these markets are Chile, Hungary, and several in Africa and Asia.

The Latin American countries buy large quantities of colored beans and a few white classes. Cuba, Mexico, and Venezuela are the largest customers for U. S. beans. Market outlets have been expanding in the Latin American countries and there may be a possibility of continuing this trend.

Based on the slightly lower U. S. production in 1956 and with better distribution of supplies of the various classes, marketing of CCC stock that may be acquired should not be burdensome.

Dry Edible Peas.--The export market for dry peas is much more erratic than that for beans. The principal importing countries are in western Europe. The northern countries in this area are also the principal producing countries. When there is severe crop damage, there is a strong demand for U. S. peas. In those seasons there is a substantial increase in sales and prices for these peas. This happened in 1954 and is recurring this season.

Exports of dry peas to Canada and the Latin American countries, while small, are much more stable than those to Europe (Table 46).

TABLE 46.--Peas, dry edible: World production by areas, average 1935-39, annual 1953-55, with comparisons

Area	Average 1935-39	1953	1954	1955	Percent that 1955 is of 1935-39
	Million bags	Million bags	Million bags	Million bags	Percent
Western Europe.....	6.3	6.3	6.4	8.7	138
Other foreign.....	2.4	2.1	1.8	1.8	75
Total foreign.....	8.7	8.4	8.2	10.5	121
United States.....	2.6	3.0	3.1	2.5	96
World total ¹	11.3	11.4	11.3	13.0	115
	Percent	Percent	Percent	Percent	
United States percent of world.....	23.0	26.0	27.0	19.0	--

¹Does not include Africa and large production in China and Soviet Bloc countries, formerly reported at about 70 million bags in total.

SITUATION BY AREAS

CANADA

Few changes appear likely in Canada's competitive position in world agricultural markets during 1956-57. Large grain crops, plus sizable carry-overs, are being accompanied by continued aggressive efforts to expand export markets. Much tobacco is available for export but the quality of the 1956 crop was below average. Oilseed production was up nearly 50 percent over 1955 because of record acreages of flaxseed, grass seed, and soybeans, and favorable growing conditions. Supplies for export are up sharply.

Because of the small crops of fruit this year, quantities available for export will probably be disposed of without hurting U. S. markets. Since there is an expanding domestic market for livestock products, butter is currently Canada's only surplus livestock product that requires a special export program.

Federal legislation passed during 1955-56 and administration of the existing programs have tended to improve the farmers' financial situation and to strengthen Canada's competitive export position. Following the rather slow export movements and lower prices in the second half of calendar year 1955, Canadian farm cash income in the first half of 1956 was the second highest on record, and grain exports for the 1955-56 crop year reached a total of 401.6 million bushels, compared with 366.8 million in 1954-55; and were 83.6 million bushels above the long-term average for the past 30 years.

A new law provided for short term loans up to \$1,500 to farmers holding unsold grain. This was an emergency law, resulting from the backing up of grain held on farms in the fall of 1955. Government reimbursements have been inaugurated for storage costs on wheat carried over by the Wheat Board under a policy announced in December 1955. Such payments made on the 1954 crop amounted to \$23 million, or the equivalent of seven cents per bushel for all wheat of that crop delivered by farmers.

Some price concessions, as well as credit guarantees and gifts or sales involving local currency transactions, have helped to move Canadian surpluses. To unload burdensome supplies of lower grade wheat, the Wheat Board reduced the prices between August and November 1955 by 27 to 29 cents per bushel at lakehead for grades 5 and 6. Iron Curtain countries during the winter months in 1955-56 purchased all wheat available at these lower prices.

Since July 1, 1955 more than 9 million pounds of butter, for which the Government paid 57--58 cents per pound, were sold to Czechoslovakia and East Germany at 37 and 39 cents a pound, f.a.s. Canadian seaboard. The Government continued to supply grain under the Colombo Plan foreign aid program. Local funds derived from such agreements have been used for local improvements in the country to which the aid was rendered.

LATIN AMERICA

U. S. agricultural products meet a wide area of competition in the Latin American market and from Latin American countries in third markets. Competition on the domestic market is also felt by U. S. producers of items that are imported from Latin America to supplement domestic output. In general, however, Latin American production complements that of the U. S. The value of our agricultural imports from Latin America in 1955, for example was 2 billion dollars, of which almost 60 percent was for coffee alone.

The drive toward self-sufficiency in the food importing countries of Latin America is one of the strongest competitive forces U. S. farmers face there. Accompanying and complementing this force is the urge to industrialize and conserve dollar exchange for buying heavy goods.

A trend toward industrialization is evident also in the food exporting nations. Large dollar debt in several countries, incurred partly to accelerate this trend, makes necessary an expansion in exports and a restriction of imports if the debt is to be serviced and amortized. This has turned certain countries to soft currency areas to obtain agricultural products or to sell agricultural surpluses under barter or trade and payments agreements, thus affording increasing competition for U. S. commodities from European suppliers as well as from expanded output in the Latin American countries themselves.

Competition from Latin American products in third markets continues, but during the past year there has been no notable increase in the production of competitive crops for the area as a whole.

Cotton production in several countries was less in 1956 than in 1955 but exports for the area were up from 1955 and considerably above prewar exports. (Figure 12) Overall grain production in Argentina declined significantly in 1955-56, and grain exports also declined from those of a year earlier and were substantially below prewar. With favorable growing and harvesting weather, however, there may be a substantial increase in 1956-57 in Argentina's exportable surpluses of grains and oilseed products. Exports of meat, wool, and dairy products likewise are expected to be larger than in recent years.

Production and Export Policies in Exporting Areas

Argentina is the fourth largest world exporter of commodities that compete with those of the United States, following the United States, Canada, and Australia. The new Argentine Government has changed its price support policies to favor an expanded farm output and is intensifying its efforts to encourage exports through a liberalized exchange rate and the gradual abolition of a restricted marketing system. Production is responding to higher prices and exports are being maintained, aided also by the new multilateral trade and payments agreements with various European countries.

As a result of these and other programs, it is expected that Argentina will offer increased competition with most major agricultural commodities in foreign markets starting in 1957 (Figure 13). Argentina produces most of the same agricultural commodities as the U. S., and also competes for many of the same foreign markets.

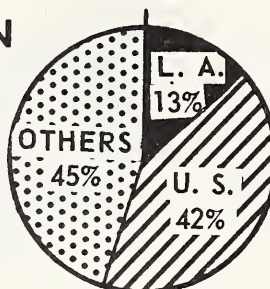
Of all the commodities exported by Argentina, wheat has been the most important to the U. S. from a competitive point of view. On the other hand, no other country could, prior to World War II, compete with Argentine meat exports in quantity, quality, and price. Both Argentina and Uruguay have favorable export exchange rates for wool that encourage export on the world market. Recently Uruguay's wool has gone to Europe, but Argentina's continues to go in large volume to the U. S.

Brazil, Mexico, and several Central American nations export cotton in competition with the U. S. Brazil supports cotton prices by establishing guaranteed minimum prices to growers as well as minimum export prices. It also encourages exports through a favorable exchange rate for this commodity. Mexico encourages cotton exports through barter arrangements and recently has required that importers of an expanding list of commodities show evidence that an equivalent value of cotton has been exported.

WORLD EXPORTS OF COTTON

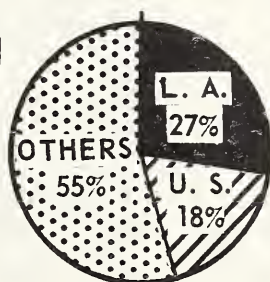
WORLD COTTON EXPORTS, 1935-39

13,247,000
BALES



WORLD COTTON EXPORTS, 1955-56

12,700,000
BALES



USDA

FAS - NEG. 1193

Fig. 12

Production and Import Policies in Importing Areas

Several of the importing countries have intensified restrictions against imports of agricultural products, either through higher duties, import permits, or sanitary regulations. Cuba, the best U. S. market for agricultural exports in Latin America, is increasing production of rice and has made imports difficult through application of several restrictive regulations.

Both Brazil and Mexico have been important importers of agricultural products from the U. S. Mexico has intensified its drive to become self-sufficient. Production of agricultural commodities there has been encouraged by Government subsidy, improved credit facilities, a new extension service, and programs for expanding irrigation facilities. To allow production to expand without competition from outside areas, the Mexican Government has

WORLD EXPORTS OF GRAINS



WORLD GRAIN
EXPORTS,
1935-39

32,282,000
LONG TONS



WORLD GRAIN
EXPORTS,
1955-56

43,529,000
LONG TONS

USDA

FAS-NEG. 1154

Fig. 13

increased duties, restricted imports by a system of permits, and purchased many food items.

Production of Brazil's principal agricultural import, wheat, is being subsidized at twice the cost of imported wheat. An elaborate exchange control system makes dollar exchange almost impossible to obtain for fruit, lard, and many dairy products.

Shifts in Pattern of Trade and Potential Competition

One of the most important shifts in the pattern of agricultural trade is that which occurred between the U. S. and Mexico. We used to send that country large quantities of wheat, and in some years corn and beans. Mexico is now practically self-sufficient in these products. Its principal agricultural imports last year were industrial products including: rubber, wool, lumber, and hides and skins. We can expect the trend toward self-sufficiency to continue.

Brazil's imports of wheat in the past have come primarily from Argentina, although the U. S. has had a market there for small quantities of wheat and flour, and has supplied the country's need when Argentina crops have been

short. During the past year Argentina and Uruguay could not supply all of Brazil's need and the U. S. supplied most of the deficit, partly through P. L. 480 sales. This situation may continue through the coming year.

During part of 1956 Argentina reversed the order of its exports from grains to livestock products. It is too early to say whether this will establish a trend. The composition of future exports will depend on the comparative advantage of entering one or the other of these two areas of production. In any event, the probable result of the benefits to agriculture granted by the new Government will be a strong inducement to production and increased exports within the near future.

There is a trend from bilateral to multilateral trading arrangements in the Latin American area. Brazil has entered into agreements with several European countries to establish a limited area of currency convertability. The agreement is popularly called The Hague Club. Recently Argentina has signed several such agreements with Western European countries with the same objective in view. These arrangements may result in intensifying trade between the European countries and Argentina-Brazil.

Although there is a trend toward increasing self-sufficiency throughout the Latin American Republics that import large quantities of agricultural commodities, as well as an effort to increase exports on the part of our present competitors, U. S. agricultural exports to Latin America in 1955-56 almost reached the \$500 million mark, 10 times the level of prewar (Fig. 14).

WESTERN EUROPE

Exports to Western Europe, including Yugoslavia and Finland, accounted for one-half of U. S. agricultural exports in fiscal 1955-56 as they did in calendar 1955 and 1954. In absolute value, exports in 1955-56 were 8.5 percent over 1954. There was a spectacular rise in shipments of grains and sizable increases for tobacco, fats, oils, and oilseeds, fruit, and private relief shipments which offset a decrease in cotton exports by nearly two-thirds.

These developments reflect mainly continued favorable trends in total wholesale and retail buying power in Western Europe, some effects of special U. S. export programs, and the absence of competitive pricing of U. S. cotton. Prices of U. S. cotton in relation to prices of other growths made it possible for our competitors to sell practically all they had of the grades and staples needed by Western European importers. Our share in the value of Western Europe's cotton imports dropped from one-third in 1954 to little more than one-fourth in 1955.

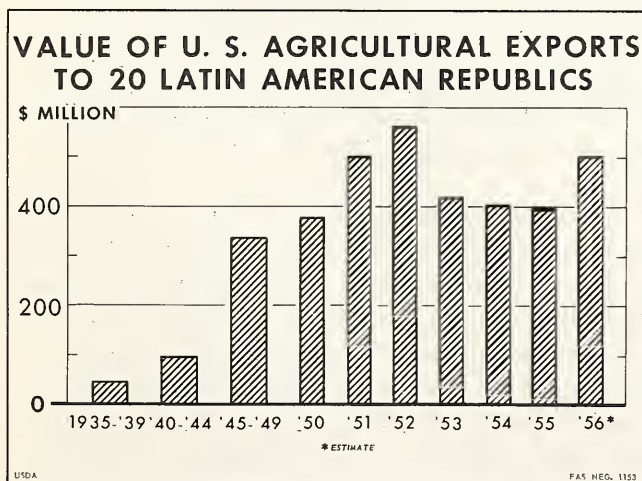


Fig. 14

Prospects for Current Season

Present prospects are that U. S. farm exports to Western Europe will increase in 1956-57, partly because of the adoption of a competitive pricing policy for U. S. cotton exports, and partly because of developments in Western Europe. The economic situation there remains favorable. Inflationary tendencies, spurred by wage increases and increased consumption are still in evidence, despite the

monetary and fiscal measures taken during the past two years to check the boom.

With imports up much more than exports, the monthly average trade deficit rose by one-third in 1955, and was as large in the first half of 1956 as in the corresponding period of 1955. Nevertheless, mid-year gold and dollar reserves, which had increased to \$16 billion in 1955, were \$17 billion in 1956.

Pressure on the balances of payments has been intensified as a result of the Suez crisis, and may become heavy if the crisis is prolonged and leads to increased imports for stockpiling purposes. In any event, the February 1956 freezes and excessive rain at harvesting time have increased Western Europe's food import requirements. Production of wheat, especially wheat of millable quality, is down, and the citrus crop is short. Supplies of domestically-grown feed grains in 1956-57 have been increased by unusually large quantities not only of unmillable wheat but also of other grains sown on abandoned wheat acreage. At the same time, hay crops were generally low in quantity and quality.

Export Policies and Programs

About one-fourth of Western Europe's gross agricultural imports in 1955 came from countries within the area. These countries also compete in other U. S. overseas markets for farm products. Few of them subsidize agricultural exports on any significant scale except France, though the Dutch system of guaranteed prices for milk and bacon pigs involves at times a subsidy on exported dairy products and bacon, and Italy has recently undertaken to dispose of a million tons of its soft wheat stocks, in part by subsidizing exports.

In France, export subsidization is part of the effort to expand agricultural production, decrease imports, and increase exports. It takes various forms, including payments to exporters to offset the loss on export transactions (wheat, flour, butter, meat); direct subsidies to exporters (wine, sugar, potatoes); reductions in railway freight charges (certain kinds of fruits and vegetables when exported); refunds of fiscal and social security charges (lard, fatback, processed meat, poultry, eggs, processed milk, cheese, dried and canned fruit, and various other processed products) or exemption from certain internal taxes (fresh, chilled, frozen, and processed meat); and compensation deals, whereby the losses on the exported product are compensated out of the profit made on the corresponding imported product.

During 1955, payments to exporters and direct export subsidies alone cost the French government more than 48 billion francs (\$137 million). Wheat and flour payments accounted for two-thirds of the total. In 1956, the outlay was expected to be still larger. The 1956 wheat crop, however, is well below domestic requirements. France nevertheless plans to export as usual to the French overseas territories, and to send to West Germany the wheat allowed under the Franco-German trade agreement, thus raising French wheat import requirements to 2 million tons or more.

Bilateral trade agreements are used generally by West European countries to help exports. These agreements usually commit the partners to permit the import and export of specified quotas of specified products, if the trade desires to do business. Most often they are concluded for short periods of times and then re-negotiated. In 1955, however, France concluded a three-year agreement with West Germany, which established a quota, among other, of 500,000 tons of French wheat a year, and 200,000 tons of feed grains. In 1956 Sweden also concluded a three-year trade agreement with West Germany for 200,000 tons of wheat a year. These agreements are facilitated by the continued existence of monopoly control over grain imports and exports in these countries.

West European countries also have a joint undertaking to promote their exports in the trade liberalization program of the Organization for European Economic Cooperation (OEEC). This program calls for progressive removal of quantitative restrictions on imports from member countries and their dependent overseas territories. By November 15, 1955, the proportion of food, feed, beverage and tobacco imports handled by private traders that had been so liberalized stood at 82 percent for the OEEC countries as a whole, the percentages for individual members (excluding Turkey and Iceland) ranging between 63 for France and 100 for Greece. Liberalization of dollar agricultural products, though making progress, has not yet been carried nearly so far; only Greece, Switzerland, Belgium and the Netherlands have liberalized about the same list of farm products to the dollar as to the OEEC area.

Production and Import Policies and Programs

Nearly all West European countries want to increase agricultural output and decrease imports, and most have made substantial progress along this road. Production is high above prewar, and supplied three-fourths of the calorie value of Western Europe's food consumption in the five years ending 1954-55, as compared with two-thirds before the war. Except for temporary periods, such as the current season, when production has been influenced by unusually poor growing conditions, American agriculture will face increasing competition from domestically-produced supplies in West European markets.

Programs to expand agricultural production include measures both to protect agriculture from foreign competition and to increase agricultural productivity. The means most generally used are import controls by way of high tariffs, equalization fees, and quantitative restrictions, including State trading and trade monopolies, especially in France, West Germany, Norway, Austria, Switzerland, and the Mediterranean countries; fixed or controlled prices for key products, direct deficiency payments, important only in the United Kingdom; subsidies for agricultural requisites, chiefly fertilizer, machinery, and motor fuel; land reclamation, especially irrigation in the Mediterranean countries; consolidation of the many small and fragmented farms that are a major obstacle in most countries to the application of modern farming techniques; expansion of farm credit facilities; and the development of agricultural research, education, and extension services.

In competing for its share of Western Europe's agricultural purchases abroad, American agriculture is handicapped by the fact that import controls are often used not simply to protect West European farmers but also to favor imports from sources other than the U. S. The handicap is less than it was few years ago, but in spite of the improvement in balances of payments and in gold and dollar reserves, import policies contain a large measure of discrimination against U. S. farm products. This is reflected in the bilateral agreements and the OEEC trade liberalization program already mentioned. Moreover, the United Kingdom gives preferential treatment to British Commonwealth countries and Ireland, France to the French overseas territories, and Spain and Portugal to their possessions. West Germany, among others, has extended its OEEC liberalization list to a number of non-member countries outside the dollar area.

Recently plans for a common European market or free trade area have again become a live issue. These plans make special protective provisions for the agricultural sector, but even so, the resistance to freer trade in agricultural products is so strong that it is doubtful that the plans for agriculture will be adopted, at least in the near future.

Shifts in Sources of Imports

With the increase in production in other parts of the world, the decrease in U. S. economic aid to Western Europe, the maintenance of discriminatory import controls, and the absence of competitive pricing for cotton, the U. S. share in Western Europe's agricultural imports fell from 15 percent in 1951 to 10 percent in 1953 and 1954, and was 11 percent in 1955. Comparable data are not available for other areas for 1951, but the share of Canada and Eastern Europe also declined between 1952 and 1955, whereas intra-West European imports and imports from British Commonwealth countries other than Canada increased.

The Suez crisis has put suppliers who use the canal at a temporary disadvantage in the competition for West European markets. Aside from this, the change in pricing policy for U. S. cotton exports plus special U. S. export programs should enable American agriculture to increase its share in Western Europe's agricultural imports in the season 1956-57.

EAST EUROPEAN SOVIET SATELLITES

Although the East European satellite area was once a food-surplus-producing region and an important competitor of American agriculture in West European markets, it has recently become a net importer of food. This area has always been a net importer of fibers.

Trade is largely confined to the Soviet Bloc, but some farm products are still being shipped to and from other countries, chiefly in Western Europe. In 1955, Western Europe obtained little more than 1 percent of its agricultural imports from the satellites, as compared with 11 percent from the U. S.

Major known satellite shipments of farm products to the free world in 1955 included 135,000 tons of wheat; 375,000 tons of other grains; 126,000 tons of sugar; 120,000 tons of dry beans and peas, onions, and other vegetables; 36,500 tons of oilseeds; 62,500 tons of oilcake and other feedstuffs; 77,000 tons of meat; 30,000 tons of oils and fats; and 27,000 tons of eggs.

At the same time, the satellites imported an estimated 3 to 4 million tons of grain from other Soviet Bloc countries and the free world. They also imported from the free world substantial quantities of fats and oils, sugar, and meat. Imports of fats and oils exceeded exports.

Satellite exports during the 1956-57 season are likely to be below the previous season. Food production is down from last year, largely because unfavorable weather reduced the 1956 grain harvest. Oilseed crops in the southern countries were also lower.

Food distribution has been disrupted in Hungary and the compulsory delivery system has been upset in Poland, by the recent political developments. These developments will probably also lead the authorities in all the satellite countries to try to improve the low living standards, which would involve increased imports and possibly decreased exports of food in 1956-57.

Foreign trade of the satellites is all State-controlled, and serves as a tool to further political as well as economic aims of the individual communist countries and especially the Soviet Union. Deliberate policies promoting interdependence of the satellites and the Soviet Union impede expansion of trade with the west. Nevertheless, the satellites in recent years have increased their imports of free world farm products, including some dollar products from Canada, where last season Poland, Czechoslovakia, and Hungary obtained easy terms for purchases of wheat and butter.

But with an abundant grain harvest this year, the Soviet Union should be in a position to supply the grain import requirements of the satellites. The line the Soviet Union will take may be indicated by the recent offer to lend

Poland 1,400,000 tons of wheat. The Soviet Union has also offered Hungary 50,000 tons of grain, 5,000 tons of sugar, and 3,000 tons of meat.

Bilateral agreements nevertheless will assure continued satellite imports from free world countries as well as export outlets for satellite farm products in Western Europe. Such agreements with West European countries have long been part of satellite trade policy. A more recent development is the conclusion of agreements, establishing satellite import quotas for a variety of agricultural products, with a large number of countries in Asia, Africa, and Latin America.

Satellite trade in farm products with the U. S. is small. Recently, however, the U. S. offered economic aid to Poland and Hungary. If the satellites were able to buy U. S. products on terms as favorable as those enjoyed by other countries, and barring special political obstacles that might arise, prospects are good for an increase in U. S. agricultural exports to that area.

WEST ASIA

West Asia is a surplus producer of cotton, tobacco, barley, dates, citrus and dried fruits, and nuts. In good crop years there is a surplus of wheat. Exports of commodities competitive with U. S. farm exports have more than doubled since the war. (Fig. 15)

The trend of U. S. exports to this area has gone sharply upward in the postwar period and in 1955 the U. S. provided 60 percent of the area's total wheat imports. (Fig. 16) The agricultural economies of the countries of West Asia are not complementary to any great extent, so that trade with countries outside the region is at present about ten times the value of trade within the region.

Wheat is the major commodity imported and exported by countries within the area. Exports of wheat and barley also to go Europe. Turkey is the largest producer for export and has exported wheat since 1951 (32 million bushels in 1953). Because of poor crops in 1954, Turkey imported wheat, barley and oats from the U. S. Production was up in 1955, but not to the 1953 level, and dropped at least 25 percent in 1956 from the previous year. Turkey has exported wheat to Germany, Yugoslavia, Italy and Austria in the past, but will import wheat this year. Syria competes with the U. S. for wheat markets within and outside the region, especially in Lebanon, France, Italy, West Germany, and the Netherlands.

The 1955 wheat crop was cut by drought but in 1956 there was a bumper crop. Syria this year is expanding her export market into Egypt, Hungary, East Germany and Communist China. However, the Suez situation is causing

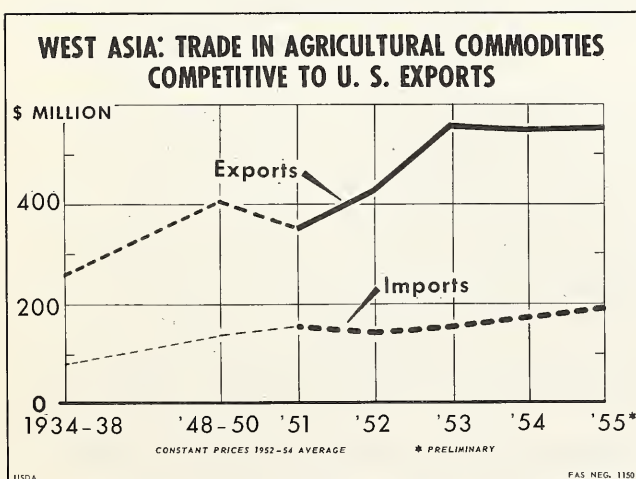


Fig. 15

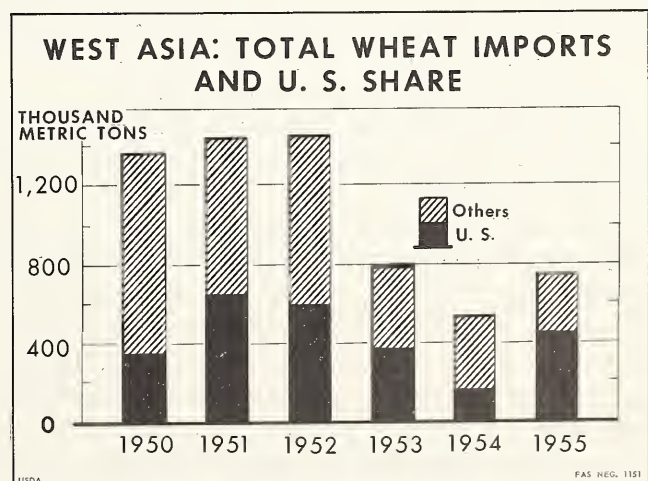


Fig. 16

difficulty in delivery. Iraq exports some wheat in good years. Barley from Iraq competes, with U. S. feedgrains, especially corn, in the European market. Iraq and Iran also export some rice to West Asian countries.

Cotton production increased substantially this past year in Syria and has remained about the same in Turkey, Iraq, and Iran. Exports from these countries go principally to Western Europe and Japan but this year Syria shipped cotton to Eastern European countries.

Tobacco production in Turkey increased in 1955, but exports fell off 40 percent. There was a shift of trade from Western Europe and the U. S. to Eastern Europe. Syria also exports some tobacco.

Exports of citrus fruits from Israel, Turkey and Lebanon; dried fruits, especially raisins and figs from Turkey and Iran and dates from Iraq; and nuts, principally filberts, from Turkey, give substantial competition to these U. S. products in the European market. Exports for 1956-57 are expected to be lower for citrus fruits, and dates, and much higher for figs, raisins and filberts.

The most important customers in West Asia for U. S. agricultural products in 1955 were Israel and Turkey. In 1955 they imported 45 percent and 29 percent respectively of the U. S. farm products shipped to this area. Wheat (including wheat flour) was the most important U. S. export to this region, comprising 30 percent of the total. Other major exports included other grains, 14 percent; dairy products, 12 percent; vegetable oils and oilseeds, 8 percent; tobacco, 5 percent; animal fats, 3 percent; and cotton, 2 percent.

Production and Trade Policies

Agricultural expansion continues to receive growing attention in the economic policies in West Asian countries. In recent development programs, agriculture has been allocated a large share of the funds because in most of these countries, promotion of agriculture involves the construction of costly irrigation projects. There is little tendency, however, to plan agricultural development within a framework of international specialization; on the contrary, the achievement of greater self-sufficiency by the encouragement of substitutions for imports and at the same time increasing the production of export crops, continued to be a common trend. Emphasis on crop production over livestock raising also is a common policy in West Asian agricultural development programs.

Turkey's five-year development plan calls for increasing wheat production to 367 million bushels by 1960, compared with 294 million in the record year of 1953. Exports of 99 million bushels are planned. In view of recent economic developments and adverse weather conditions, it is doubtful that these goals will be attained. Syria is expanding wheat and cotton production, and wants to export 11 million bushels of wheat and 460 thousand bales of cotton in the near future. Israel plans to be self-sufficient in cotton by the close of 1957. Israel also is expanding citrus exports.

There are important differences in the agricultural trade policies of the countries of West Asia reflecting differences in their international trade and payment situations. These countries which export oil (Iraq, Iran, and the Arabian Peninsula) normally have a foreign exchange surplus while the others usually have foreign trade deficit. In Lebanon, (without oil) invisible exports outweigh the trade deficit and result in a surplus. In Lebanon, and also in Iraq, Iran, and Syria, the dominant tendency has been to liberalize trade. In Israel and Turkey, where there has been the greatest emphasis on industrialization, restrictions on imports have been increased except for Public Law 480 shipments from the U. S.

Two general trade policy tendencies in West Asia can be identified. One is the effort by Arab countries for closer inter-Arab economic cooperation.

The trade and payments agreement among the Arab countries provides for customs exemptions and reductions for agricultural products originating in the participating countries. The second is the promotion of trade with Soviet-Bloc countries by bilateral or barter agreements. The trend has been most pronounced in Turkey and Syria, and to some extent in Iran, Iraq, and Lebanon.

THE FAR EAST

(Excluding Mainland China)

The Far East is second only to Western Europe as an export outlet for U. S. farm products, but those products face increasing competition in Far East markets from products of other surplus producing countries as well as from an increased volume of products produced within the region. Certain agricultural commodities produced in this region compete with U. S. products in the international market.

The principal farm products which the U. S. sells in the Far East are wheat, wheat flour, rice, barley, cotton, soybeans, and tobacco. Principal Asian farm products which enter world markets in competition with U. S. exports are cotton, rice, and tobacco.

General Economic Situation

In nearly all countries of the Far East, economic activity in terms of goods and services produced, reached record levels this year. This generality holds for both industrial and agricultural production. For the region, farm production is by far the more significant as most Far East countries depend basically on an agricultural economy. In the whole region, only Japan can be classed as highly industrialized. Even there, some 40 percent of the population lives on farms.

Most countries of the Far East region have trouble earning needed foreign exchange. Although this situation has improved greatly since the war, in the past year the balance-of-payment position has become worse in virtually all Far East countries due to the lowered world prices of their export commodities.

Production and Export Policies and Programs

India, Pakistan, Thailand and Burma, are significant U. S. competitors in trade of agricultural products. Agricultural exports of the other countries of the Far East are largely complementary to U. S. products.

India's first Five Year Plan caused a 20 percent increase in agricultural production. The second Five Year Plan calls for another big increase. Food-grain production, including coarse grains and pulses used for food, is to be increased 24 percent, making possible a small increase in per-capita consumption if imports are maintained at recent levels. The P. L. 480 agreement signed with India will place substantial quantities of U. S. surplus agricultural commodities in India to help the Indians cope with their food and food price problems while their own agriculture attains higher productivity as outlined in the second Five Year Plan.

India plans to increase cotton production by 55 percent, sugar by 33 percent, oilseeds by 37 percent, and tea and jute by 22 and 58 percent, respectively. Increasing the acreage irrigated by 31 percent and the use of commercial

fertilizers plus additional land brought under cultivation are the principal vehicles used to attain the increased agricultural productivity.

Even if the goals are achieved, the rapid industrial expansion as translated into demand will still call for imports of much raw material.

India's foreign trade policy is one of permitting carefully selected imports and of progressively relaxing controls over exports, along with organized promotion for exporting specific commodities. It includes liberal provisions for imports of essential raw and semi-manufactured materials such as raw cotton, jute, raw wool, and chemical fertilizers not available in sufficient quantity from indigenous sources. Recently, organized export promotion has been provided for flue-cured tobacco, tea, jute goods, cotton goods, and cottage industry products.

Pakistan's first Five Year Plan, beginning in 1956, provides for an increased production of foodgrains of 13 percent; pulses, 10 percent; oilseeds, 29 percent; fruits, 14 percent; vegetables, 23 percent; and sugarcane, 38 percent. The other major agricultural production targets are tea, 15 percent; tobacco, 16 percent; jute, 15 percent; and cotton, 38 percent. Exports of the latter two commodities account for the bulk of Pakistan's foreign exchange earnings.

Although Pakistan is industrializing, it will for the foreseeable future be an agricultural country and will almost entirely depend on agricultural exports for its foreign exchange earnings. An increase in agricultural exports may be expected if the agricultural targets of the Five Year Plan are achieved. Cotton is one of the commodities slated for significant increases in exports.

Burma and Thailand are the world's leading exporters of rice. Their governments' policies call for increased production, hence increased exports, of this foodgrain along with diversification of agriculture.

Import Policies

Japan is the major Far Eastern market for imported farm products and in the past four years been the leading foreign market for American farm products. Japan is the principal Far East outlet for cotton, wheat, rice, barley, soybeans, and tobacco. Other important importers of farm products are India, the Philippines, Pakistan, Korea, Taiwan, and Indonesia.

Since World War II the countries of the region have faced varying degrees of difficulty in earning the foreign exchange to pay for imports. This has led the governments to control the limited foreign exchange available.

During the past year there has been an increased tendency toward barter arrangements. Burma, in particular, made numerous barter sales of rice to Communist countries. But Burmese officials have on several recent occasions expressed their dissatisfaction with barter trading.

The Japanese encourage imports from those countries in which they have been able to develop markets for their exports. The U. S. is Japan's largest export market as well as their principal source of imports. Since the end of World War II, however, imports from the U. S. have far exceeded exports to the U. S. Japan is making special efforts to balance merchandise trade with the U. S. in anticipation of further reduction of special dollar earnings.

Trends in Production and Trade

The future import market for agricultural products in the Far East will be affected by many factors, including the ability of the countries to meet growing demand by domestic production, the pattern of trade within the region

and with foreign countries outside the region, and political conditions and trade policies.

Political considerations are expected to continue to be important in the foreign trade of several Far East countries. Part of the competition which the U. S. will face will be the result of trading carried on for political rather than economic reasons. This is especially true for Communist controlled countries, both in and outside the region.

Throughout the Far East a great deal of enthusiasm is expressed for expanding trade among the countries of the region. Some opportunities do exist for increasing such exchange of goods. However, such opportunities are definitely limited because exportable surpluses produced by countries in the region tend to be more competitive than complementary.

Due to a rapidly rising population and industrial activity in this area, the demand for food and other agricultural products has been expanding. World War II and its aftermath caused a decline in the per-capita availability and consumption of food, fiber, and tobacco. However, in most countries average per-capita consumption is now near prewar levels. But compared with American and European standards, these are still extremely low. If standards of living are raised, and the governments and peoples of the area are determined that they will be, the demand for agricultural products will increase more rapidly than population.

To meet the needs of the bigger population and the expanded per-capita consumption, as well as to become more nearly self-sufficient, the governments of most of the countries of the Far East are promoting higher production of farm products. Substantial increases have occurred in some countries, but others have been held back by unsettled political conditions or other difficulties. Production is up; for the region it is now 24 percent above prewar. However, due to population increases, per-capita production is still moderately below prewar levels.

Most agricultural commodities are sharing in the upward trend in production. In many countries particular emphasis is being placed on the basic commodities which represent the bulk of U. S. trade. For the immediate future, farm production will probably increase more rapidly than population, but the demand for farm products probably will increase at such a rate that there will be no decline in the overall import needs of the region. There will, of course, be country-to-country variations. We can expect the commodity composition to undergo gradual change. Due to the self-sufficiency programs, the relative importance of basic commodities will decline. In its effort to retain and improve its competitive position, U. S. agriculture must look to the growing demand for fruits, vegetables, meats, dairy products, and other non-basic items, in addition to the traditional market for basic foodgrains, cotton, and tobacco.

AFRICA

Africa, with the exception of Egypt and some areas of predominantly European settlement, is one of the most under-developed regions of the world. Its population depends largely on subsistence agriculture carried on with relatively primitive techniques.

Since World War II, however, there has been a marked trend toward political independence and economic expansion. Because of close trade ties with mother European countries the African countries have not been important customers for U. S. agricultural products, but have been important competitors for European grain, fruit, cotton, and tobacco.

With the present political and economic activity in Africa, the U. S. should find improved opportunities to expand its markets in this region, especially in view of generally rising standards of living.

U. S. agricultural exports to Africa in 1955 were 55 percent above 1954 but were below the 1952 level. This represented only 2.6 percent of the total U. S. agricultural exports in 1955. Africa imported (in 1954) \$470 million of agricultural products, of the kinds which the U. S. exports, of which the U. S. share was only about 12 percent (Fig. 17).

The most important customers in Africa were Egypt and the Union of South Africa, which imported 40 percent and 15 percent respectively, of the U. S. farm products shipped to this continent in 1955. The principal exports were: wheat and wheat flour, 25 percent of the total agricultural exports to Africa; tobacco, 16 percent; animal fats, 11 percent; other grains, 8 percent; cotton, 5 percent; vegetable oil and oilseeds, 3 percent; dairy products, 2 percent.

Some of the most important agricultural exports of Africa--coffee, cocoa, rubber and, to some extent, palm oil and palm kernels--do not compete with U. S. farm exports. In fact, the U. S. imported \$341 million of agricultural products from Africa in 1955, or more than four times the U. S. agricultural exports to this region. However, some African countries export farm commodities which compete with U. S. exports. This trade is rapidly expanding, and in 1955 was 30 percent above prewar (Fig. 18).

Algeria, Morocco and Tunisia normally compete with the U. S. in the European grain markets. Production was good in 1956 in Algeria and Morocco and exports of wheat and barley will be high. Tunisia had a poor wheat crop and arranged to import some 5 million bushels from the U. S. and other sources. Libya received 800,000 bushels of U. S. wheat in 1955. Egypt had a substantial drop in wheat production in 1955, due to relaxing of acreage control and a shift to cotton, and had to increase wheat imports. In 1955-56, 18 million bushels were imported from the U. S. Wheat production in 1956 is up to 57 million bushels, but import needs are still placed at 22 million bushels. Agreements have been made to buy this wheat from USSR, 14.5 million bushels Syria, 3.5 million; and Switzerland, 3.5 million. Egypt has a record crop of rice and has about 661 million pounds of milled rice available for export.

The Union of South Africa imported 2 million bushels of wheat from the U. S. in 1955 but had a record crop this year and does not plan to import any. The Union exported corn in 1954 and 1955 to Egypt and Europe. Previously it was not an important exporter having imported corn from the U. S. in some years. The current crop is estimated slightly below last year but because of existing surpluses, exports probably will not be reduced. The Federation of Rhodesia and Nyasaland and British East Africa have exportable surpluses of corn which usually go to Europe. The Federation imported U. S. wheat for the first time in 1955. West and Central Africa are important customers for U. S. wheat flour, importing 155 million pounds in 1955.

North Africa and the Union of South Africa export citrus and deciduous fruits to Europe and British Commonwealth countries. The Union is also

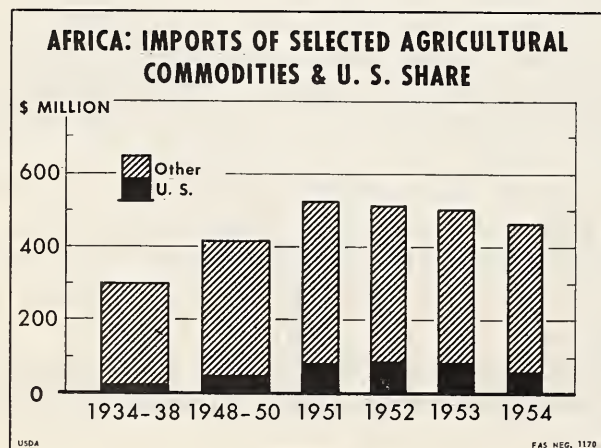


Fig. 17

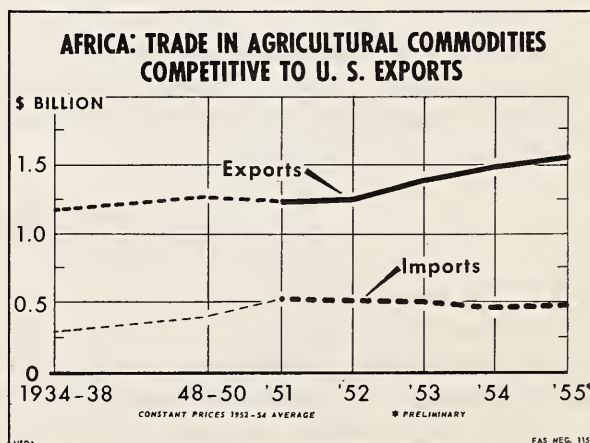


Fig. 18

expanding its shipments of canned fruit to the United Kingdom, being second to Australia as a supplier in 1955, and has pushed the U. S. from first place.

Morocco and Ethiopia imported 9.5 thousand bales of U. S. cotton in 1955 which was only 40 percent of the imports of 1954. The Federation of Rhodesia and Nyasaland imported U. S. cotton for the first time in 1955. Cotton production in Egypt increased only 4 percent in 1955-56 over the previous year, but exports increased 43 percent. There was a shift in direction of exports from Western Europe to the Soviet-Bloc. Cotton production increased 10 percent over last year in the Sudan and is also increasing in Nigeria and British East Africa.

Flue-cured tobacco from the Federation of Rhodesia and Nyasaland is competing with U. S. exports in the United Kingdom, South African, and Australian markets. A record crop of 200 million pounds is expected in 1956, nearly a 25 percent increase over last year. Nigeria, traditionally a U. S. tobacco customer, is also increasing domestic production, and now supplies 45 percent of its requirements.

U. S. tallow has an important market in the Federation of Rhodesia and Nyasaland, previously representing 80 to 85 percent of the Federation's tallow imports. In 1955, one-fourth of this trade was lost to Bechuanaland, Australia, New Zealand and Canada.

Trade Policies

There has been an increase of trade agreements among some African countries, particularly Egypt, and the Soviet-Bloc. Communist countries took 36 percent of Egypt's cotton in 1955-56 compared to 20 percent in 1954-55.

In British and French territories in Africa, postwar foreign exchange regulations and import licensing, in addition to preferential trade arrangements, have kept a large percentage of African trade within the respective British and French trade blocs. However, under the Niger convention and the Congo Basin convention, which include most of West Africa, British East Africa, part of the Federation of Rhodesia and Nyasaland, and the Belgian Congo, there are supposed to be no preferential tariffs in these areas.

Trade liberalization with O.E.E.C. countries in 1954 has increased African trade with Western European countries. The preferential duties and other trade barriers against U. S. exports improve the competitive position of many African countries in the tobacco, fruit, oilseed, animal fats and cotton markets in the United Kingdom, other Commonwealth areas, France, and French territories.

Through large exports to the U. S. of minerals and complementary agricultural products, many African countries--especially Belgian Congo, Union of South Africa, Federation of Rhodesia and Nyasaland, Gold Coast, British East Africa, Liberia, Nigeria, French West Africa, Angola and Ethiopia--have favorable dollar balances. British East Africa and Federation of Rhodesia and Nyasaland are, respectively, the second and third largest contributors of dollars to the sterling pool. This presents a great potential market for U. S. agricultural products if advantage can be taken of it.

OCEANIA

The 1956-57 agricultural policies of Australia and New Zealand have been directed toward an increased output of agricultural commodities such as wheat, meats, dairy products, and wool to insure the greatest possible financial return from exports. This trend toward greater volume production has resulted not only from the necessity to increase foreign exchange reserves,

but also from the keen competition experienced by certain agricultural commodities exported to the United Kingdom and other European markets in 1955-56.

AUSTRALIA

Crop conditions are considered good in most parts of Australia, and agricultural output generally is expected to be maintained throughout 1956-57. Small-grain production, however, is expected to be lower due to less acreage planted to wheat and barley. Both dried and canned fruit production is expected to be down.

Greater intensification of Government programs to assist agriculture is indicated in 1957. Provision is made for price guarantees to producers in the marketing of wheat, both home and abroad, as well as for guaranteed prices to producers for milk diverted to commercial butter and cheese production used domestically plus a set quota for export. In addition, both dairy and wheat farmers receive extra compensation for profits from exports through controlled export marketing transactions.

The current dairy industry stabilization plan, directly related to costs of production, will be extended for a further five-year period after June 30, 1957. The plan also provides for Government price subsidization of butter to domestic consumers, thus assuring a larger total output of butter as well as greater quantities for export.

Cotton producers continue to receive direct subsidies for seed cotton at the rate of 14d (\$0.13) per pound and fixed domestic prices for their product. Despite this encouragement, production is still lagging far behind a target goal of 10 million pounds by 1958. The highest postwar production of 2,096,000 pounds was reached in 1955-56.

New areas of agricultural expansion have also been noted in the Northern Territory, Queensland, and the southern part of Western Australia. The Queensland area is approximately 23 million acres in size with wheat and linseed cultivation stressed in combination with livestock production. The Western Australian project is at present estimated at slightly over 2 million acres devoted to wheat and pastures for livestock. It is reported, however, that the future agricultural potential of this region will be extended over an area of about 4 million acres. An additional 360,000 acres of irrigated land is expected to be used for crops and pastures in 1957 as the result of the completion of the Eildon Dam on the Goulburn River 80 miles northeast of Melbourne.

The similarity of Australia's agriculture with that of the U. S. creates many competitive problems between the two countries in the marketing of agricultural products abroad. As a result, Australia's agricultural trade policy in 1956-57 is leaning toward greater reliance on bilateral arrangements.

Australian meat exports to the United Kingdom are still governed by the 15-year bilateral agreement, effective through 1967. About 50 percent of Australia's egg shipments to the United Kingdom through June 30, 1957, will be subject to bulk contract arrangements between the Australian and New South Wales Egg Boards and a special group of United Kingdom importers. Wheat and flour exports to the United Kingdom in 1957 will be subject to a minimum annual quota of 750,000 long tons (28 million bushels) under the provisions of a new trade agreement between the two countries which will be finalized early in 1957.

In addition, guaranteed preferential tariff treatment will be given Australia by the United Kingdom on such important items to U. S. agriculture as fresh apples, citrus, canned and dried fruits, canned meats, rice, sorghums, and sausage casings.

Exports of wheat, barley, meats, butter, and fresh fruits to Western Germany are also subject to terms of a special trade agreement between Australia and West Germany which is revised each year. In this agreement quotas are specified for wheat, barley, and other coarse grain shipments from Australia.

Certain unfavorable elements prevail in the Australian economy which might hurt not only her agricultural exports in 1956-57 but also her ability to compete with other suppliers in foreign markets. The Government's policy of maintaining capital expenditures on long-term, large-scale development projects at even higher levels than in 1955-56 may increase the competitive market for labor and result in higher wages and higher costs of agricultural production.

Foreign freight rate increases during 1956-57, which are now estimated at about 6 percent, will affect a large proportion of Australia's agricultural exports and test this country's ability to compete in exports of wheat, flour, fruits, dairy products, and meats to Far Eastern and continental European markets.

NEW ZEALAND

New Zealand's policy of greater intensification of farming through improved production techniques and increased land development will continue throughout 1957. Emphasis will be placed in diverting about 50,000 acres of unproductive land to agricultural use either as pasture or crop land. Every effort will be made to increase production of wool, dairy products and meats, primarily for export.

Faced with keen competition from Argentina with meat exports to the United Kingdom, New Zealand is making a drive to divert 22,000 short tons of meat to alternative markets, namely Far Eastern and British African areas, and Western European countries.

Lack of adequate port and dock storage facilities may hamper New Zealand's exports of meat, apples, and dairy products in 1956-57. Efforts are being made to enlarge and modernize existing facilities to accommodate larger shipments.

The U. S. will remain the chief supplier of New Zealand's tobacco requirements in 1957. Vegetable and flower seed imports from the U. S. will also be maintained. Small imports of oranges, lemons, and prunes are expected to be continued, but the dollar licensing of raisins from the U. S., which was expected because of the short supply in Australia will not be forthcoming. New Zealand's raisin needs will be fulfilled from small imports from Australia and an alternative sterling source, the Union of South Africa. Imports of U. S. potatoes in 1957 are not anticipated.

COMMUNIST BLOC

Soviet Union

Soviet competition on the world markets has long been centered primarily on wheat and other small grains, of which Russia in the past was one of the most important exporters. Both during the interwar and post-war periods, Soviet grain production was low and exports were small. However, its capacity to compete in the world grain market increased measurably in 1956, as a marked expansion in grain acreage was accompanied by a good harvest in the eastern regions. As a result, the government succeeded in collecting close to 60 million tons of wheat and other grains as against collections in recent years of 36 to 44 million tons.

The milling quality of much of the grain is likely to be inferior because of inclement harvesting weather and shortages of drying, transportation, and storage facilities. The transportation haul for grain, especially for export, will be lengthened because of the geographical distribution of the 1956 harvest, concentrated in the eastern regions. The Soviet Union has a 3-year agreement with Canada to import annually 15 to 18 million bushels of wheat.

With cotton, Soviet competition is mainly reflected in supplying the bulk of the import requirements of the European Communist Bloc countries; before the war they relied heavily on U. S. cotton.

Soviet cotton exports to non-Communist countries in 1955-56 were nearly 300,000 bales and were partly offset by imports, mainly from Egypt. A new government program was announced to expand cotton production during 1956-62, by adding new acres of irrigated cotton in the heart of Soviet Central Asia. If this program is successful, it would mean addition of 14 percent to the 1955 Soviet cotton acreage.

The Soviet Union's trade in fats and meat has declined during the past 2 years. Imports of sugar from non-Communist countries, principally Cuba, which were stepped up greatly in 1955, declined following a much better 1955 sugar beet crop. Soviet Union is still importing wool, cotton, and rice. An agreement with Burma provides for the purchase of more than 400,000 tons of rice annually by the Soviet Union, but some of it may be shipped elsewhere.

The agreements with Egypt to exchange armaments for cotton, and with Burma to exchange technical assistance and manufactured goods for rice, illustrate the new Soviet method for politico-economic penetration of underdeveloped countries. An important aspect of this drive is the willingness of the Soviet Union to accept agricultural surpluses (such as rice, cotton, and wool) from underdeveloped countries for capital goods, armaments, and technical aid.

Because of the scarcities characteristic of Communist economies, such imports can always be easily used either in the Soviet Union or in some other Soviet Bloc country.

Communist China

Mainland China is making a determined effort to export larger quantities of agricultural products. Recently trade agreements have been made with Japan, India, Ceylon, Pakistan, Malaya and with some countries of Western Europe. Significantly, both of these areas are of vital interest to the foreign trade of the U. S. Together Western Europe and Far East countries account for about three-fourths of total U. S. agricultural exports, or around \$2-1/4 billion annually in recent years.

Chinese production for the world market conflicts with the U. S.' marketing of soybeans, rice, tobacco, vegetable fats and oils, and to a lesser extent, dried eggs. Two of China's former leading exports--tea and silk--are not produced in the U. S. However, some important allies who receive U. S. economic assistance do compete with China in these crops.

China was expected to attempt to regain markets formerly held and lost, once peace had been established. War had left the country disorganized and near economic exhaustion. China now appears to be reaching and exceeding prewar agricultural production levels on an over-all basis. Reportedly tremendous efforts are going into developing agricultural programs.

Production of most grains during 1956 will exceed 1955 levels. Cotton and tobacco will also be above 1955 levels, despite bad weather in some areas of production. Soybeans yields may not reach 1955 levels. Shortages exist in vegetable fats and oils. Livestock production is lagging.

The government decides what disposition is to be made of agricultural production. This means, in effect, that agricultural exports will be pushed

vigorously to make necessary purchases abroad of industrial equipment and construction materials essential for making China more self-sufficient. Also, a program of rigid austerity is practiced at home to free the maximum quantities of agricultural products for export.

Mainland China is a food-deficit nation by western standards. Population is increasing. Nevertheless, China has and will again export agricultural products if the state can see a political or economic advantage.

Government trading has replaced the conventional trade channels. State trading is used not only as a means of supporting individual development, but also as an economic and political weapon in world diplomacy. With these broad motives, the state may be willing to make extremely attractive prices to gain a foothold or other promising advantage in a new market.

Cost of production is not the limiting factor in pricing. Serious competition confronts exporters of U. S. agricultural products.

China's trade is now politically rather than economically oriented. Much of the country's trade is with Communist Bloc nations. These countries don't have surpluses of what China wants most--industrial equipment. Nor do they need to buy many of the raw materials that China has to sell. This is not a comfortable or satisfactory trading agreement for China. It is natural, therefore, to expect that China will continue her efforts to expand trade with the free world.

EXAMPLES OF COMPETITION STUDIES

The competition projects for which summaries are outlined below include only selected studies completed since approximately October 1, 1955. These examples show the results of studies carried out by Foreign Agricultural Service in accordance with the FAS Appropriation Act.

Increased Competition Expected From Argentine Grains.--Changes in production and trade policy by the new Argentine Government will strengthen that country's competitive position in world grain markets. A shift from bilateral to multilateral trade agreements with the devaluation of the Argentine peso will let Argentina reduce the price of grain in world markets, while at the same time increasing prices paid to producers. The Argentine support prices to grain producers for the 1956-57 marketing season were increased from about 48 percent for forage grains (oats, barley, rye) to 50 percent for wheat and 78 percent for corn. The result may be a limited expansion of 10 to 20 percent in grain exports above the 1951-55 average of about 4.5 million metric tons. This increase, mainly in wheat and forage grains, will depend on shifts of available land from pasture and forage crops. Increased production of oilseed crops is expected to restrict any immediate expansion in corn area in Argentina.

France Becomes Important Competitor in World Wheat Markets.--The French Government's intervention on behalf of wheat growers since World War II has resulted in the country shifting from its traditional status of a net importer to that of an important exporter. The Government each year fixes base prices which must be paid to farmers for soft and hard wheat of specified quality. Farmers sell to private dealers and cooperatives who, in turn, sell to millers and exporters at prices also fixed by the Government.

Wheat is exported by private exporters. Export prices are below domestic levels; the difference is bridged by a subsidy. Owing largely to this system, wheat production increased from the 1945-49 average of 238.2 million bushels to an all-time record of 388.2 million bushels in 1955-56. The return in 1955-56 was 382.1 million bushels. By 1954-55, France had become the world's fifth largest wheat exporter. However, severe frost damage to the 1956 wheat crop made France a net importer in 1956-57. The system will be continued, with a production goal of 411.5 million bushels by 1961. If favorable weather prevails, France undoubtedly will be an important competitor in world wheat markets in 1957-58 and subsequent years.

Competition from South African Corn Increasing.--Surplus production from the last four crops and the probability of continued heavy production indicate that the Union of South Africa will continue as a leading competitor in world corn markets. That country's corn exports averaged over 30 million bushels annually during the 1954-55 and 1955-56 marketing seasons (May to April) compared with the 1946-50 average of around 4 million bushels. With present Government programs to encourage improved production practices and increased use of hybrid seed, the Union's corn exports can be expected to be maintained at the same or slightly increased levels.

Turkey Becomes an Important Wheat Exporter.--The policy of Turkey in recent years has been to encourage an expansion in wheat and coarse grain production by providing price incentives for quality grains with a view to making the country an important grain exporter, especially of wheat. The Soils Products Office of the Government (Toprak) each year guarantees to buy all the wheat, barley, oats and rye which the farmers offer for sale. The farmers are, however, at liberty to sell their grains at uncontrolled prices on commercial markets. Toprak has a monopoly of grain exports. Export prices are below the domestic level and the losses are financed by the Turkish Central Bank. Grain bought by Toprak which is not exported is sold on the domestic market.

Largely as a result of these measures, Turkish wheat production has increased from the 1945-49 average of 125.1 million bushels to an all-time record of 294 million bushels in 1953-54. Owing to unfavorable weather conditions, production has since been less. Wheat exports increased to an all-time record of 32 million bushels in 1953-54, in which year Turkey was the world's sixth largest wheat exporter. Given favorable weather conditions, planned continuation of the Government's price support and marketing system will enable Turkey to continue as an important competitor in world wheat markets.

Canada Facilitates Wheat Exports.--The Canadian Government has found it necessary, in view of steadily increasing production in importing countries and increasing competition from other surplus producing countries, to assume sole responsibility for marketing its entire wheat crop.

The marketing of Canadian wheat is under the complete control of the Canadian Wheat Board. Farmers are required to sell to the Board, subject to delivery quotas, and are guaranteed a minimum price. The Board resells the wheat in the domestic and foreign markets at the highest prices obtainable, but it sells wheat in the domestic market at the same prices it quotes for export under the International Wheat Agreement. During the past year the Board adopted the policy of exporting wheat on credit.

Canadian wheat production has been increasing although acreage has been declining, acreage reduction having been more than offset by increases in yields. Total production in 1956 was 512.3 million bushels, compared with 494.1 million bushels in 1955 and with the average of 362.8 million bushels in 1945-49. Under the Canadian price support and marketing system, which helps to assure producer incomes, continued large wheat surpluses for export can be expected.

Australia Facilitates Wheat Exports.--Joint action has been taken by the Commonwealth and State Governments to stabilize the price at which wheat is sold for domestic consumption and to dispose of surpluses in foreign markets.

Australian farmers sell wheat only to the Australian Wheat Board, which each marketing year fixes a guaranteed minimum producer price for all wheat sold for domestic consumption and for up to 100 million bushels of exports. The Board fixes its resale price for wheat for domestic consumption at the current International Wheat Agreement export level, or \$1.57 per bushel, whichever is lower, but in no case at less than the calculated national average cost of production.

The Wheat Board sells wheat for export at the highest prices obtainable, thus Australia's wheat production increased to 195.6 million bushels in 1955 compared with the 1935-39 average of 169.7 million bushels. With continuation of the Government's price support and marketing system, and given favorable weather conditions, competition from Australia in world markets will stiffen.

Cotton Production Potential of Turkey.--A rapidly expanding textile industry has progressively reduced the importance of Turkey as a competitor of U. S. cotton in world markets. Cotton consumption in Turkish mills increased to nearly 500,000 bales in the past season, while Turkish exports have decreased from 433,000 bales in 1952-53 to less than 150,000 bales in 1955-56.

Over the next five to ten years, some expansion is feasible if cultural practices are improved and if irrigation systems can be developed, but the expansion that is achieved will likely fall short of the expanding requirements of the domestic textile industry.

Cotton Production Potential of Pakistan.--If cotton is expanded in Pakistan as planned, the rate of expansion will be very slow over the next 5 to 10 years, and will be at a slower rate than hoped for by the architects of the recently announced 5-year plan, that sets the goal at 32 percent above current production. Cotton is the primary source available to the country for earning badly-needed foreign exchange.

Variations in weather, primitive cultural practices, high insect and disease infestation, poor seed, and salting and waterlogging of the soil are major obstacles to the expansion of Pakistan's cotton production.

Cotton Production Potential in India.--Cotton is India's largest cash crop, and India is the largest cotton producing country in the Free World, except for the U. S. The growth of India's cotton textile industry has materially reduced the importance of India as an exporter of raw cotton; in fact, the requirements of India's domestic industry has broadened to the point that India is also a big importer of medium staple cottons from the U. S. and East Africa.

India has been reasonably successful in meeting the production goal of 3.4 million bales set for cotton in the first 5-year plan. The goal in the initial discussions of the second 5-year plan was set at 4.5 million bales, then raised to 4.8 million bales, and recent reports indicate that it will be raised to 5.3 million bales as a result of the insistence by the cotton industry.

Considerable progress has already been made in the development of irrigation facilities and more is expected over the next five years if plans to develop five or six million acres in the Punjab are realized. The pressure for the country to provide food for a growing population serves as a brake on cotton production expansion.

In appraising India's potential cotton production, it is necessary to recognize the importance of governmental participation. Government policies will reflect what the Indian planners visualize to be best for the country's over-all economic development. The motives influencing cotton production in a country such as India are much different from those found in a highly developed country such as the United States; short-run commodity price relationships in India will have much less influence on determining the use of resources and the potential level of cotton production.

Competition between Cotton and Rayon in Western Europe.--An on-the-spot appraisal of cotton-rayon competition was made in 1956 in seven of the most important textile producing countries of Western Europe.

Since the last half of 1955, cotton has achieved a stronger competitive position relative to rayon in Western Europe than in the U. S. Cotton's competitive strength results primarily from the narrowing price differential between cotton and rayon staple fiber. Strong consumer resistance persists in most countries against rayon in many important end uses and especially rayon-cotton blends in woven fabrics.

Not until early in 1956, under the special U. S. cotton export program, did U. S. cotton begin to share with foreign produced cottons in the improved price relationship. Since August 1, 1956, all United States qualities and staple lengths have shared this improved position with foreign produced cottons.

Tobacco Trends in Turkey and Greece.--The sharp upward trend in production of Oriental leaf continues. There is a strong incentive to expand labor-using crops. Labor is plentiful and land relatively scarce and foreign exchange earnings per acre are greater for tobacco than for any other major crop. Turkey and Greece rely very heavily on bilateral agreements to assure foreign markets for tobacco, particularly in exchange for the industrial goods in Western as well as Eastern Europe. The upward trend in production is likely to continue, but difficulties are being experienced in disposing of supplies, especially by Turkey, where continuing inflation is influencing tobacco production and processing costs.

Tobacco Trends in the Federation of Rhodesia and Nyasaland.--Flue-cured.--Production of flue-cured tobacco, the major export type, has been rising sharply in recent years and reached an all-time high in 1956. A high proportion of Rhodesian flue-cured has a good, bright color, which is very important, especially in the production of an "all flue-cured cigarette," but the leaf is neutral, lacking in both flavor and aroma. Prices of Rhodesian

flue-cured decreased in 1956. If the lower profits continue, the recent rate of expansion is likely to be reduced or even stopped entirely.

Dark Fire-Cured and Sun-Cured.--Most of the dark leaf, which is No. 2 in exports, is produced by natives. Production costs as well as prices are well below those of U. S. darks. The Federation has an important advantage in the import duty preference in the United Kingdom and many other Commonwealth areas. Nyasaland could probably supply an increasing proportion of world trade in dark fire-cured for which total demand is declining, so the outlook for maintaining or expanding U. S. exports of this kind of tobacco remains unfavorable.

Canadian Tobacco Production.--Production in 1956 is estimated at 168 million pounds. This is the second highest on record being exceeded only by the all-time high of about 185 million pounds in 1954.

Flue-cured, which accounts for over 85 percent of production and 95 percent of exports, is produced on large scale tobacco farms operated by well-informed and efficient producers who use modern methods. Yields are high and quality is good although both flue-cured and Burley have less flavor and aroma than U. S. leaf.

Canadian leaf has an import duty preference equivalent to 21.5 cents per pound in the United Kingdom and certain British Commonwealth territories. Production is expected to continue to increase but the weather risks and rising wage rates tend to slow the rate of expansion. Canada has recently achieved an expansion in foreign markets, but this is being done slowly, partly because of the difficulties encountered in payment with Canadian dollars which, like U. S. dollars, are relatively scarce in many foreign areas.

Market for Meat and Meat Products in Western Germany.--Despite expanding domestic production resulting from price supports, imports have steadily increased. Western Germany is the second largest meat importer on the Continent. Currency restrictions and bilateral trade agreements with other suppliers hamper U. S. exports. Recent government measures, however, have helped increase U. S. exports to that country.

The steady economic activity and the increased consumer purchasing power have increased meat consumption. U. S. exports are competitive, but heavily subsidized French exports discourage the marketing of U. S. meat products. Limited domestic production of meat and increased consumption will continue to make Western Germany a good market. Despite price differentials, Western Germany prefers imports from traditional importers who are also its customers.

Denmark Big U. S. Competitor in Meats and Meat Products.--Livestock plays a very important part in the agriculture and the economy of Denmark. Production has increased substantially since the war. However, there are serious limitations to Denmark's continued increased production of meat.

The location of the country, its trade agreements, and the favorable treatment by OEEC countries make the marketing of livestock and meats more competitive. Recent exports of livestock and meat are more than double the pre-war level. Exports are indirectly subsidized through various forms of aids to farmers. Denmark has rapidly become one of the keenest competitors to U. S. exports in Europe and the Caribbean.

United Kingdom As a Market for U. S. Meat and Meat Products.--Before and during the war, the United Kingdom was a good market for U. S. meat and meat products. Since the war, its domestic subsidy program has reduced the U. S.' share of the market.

New Zealand, Australia, and Western Europe increased shipments of meat and meat products to the U. K. after the war, while imports from the Western Hemisphere dropped substantially. Low priced vegetable and marine oils reduced lard imports into the United Kingdom. Recent improvements in dollar position and also ICA aid have opened the market for U. S. variety meats, lard,

hides, and skins. Recent changes in government policies on subsidies may reduce pork production and maintain present levels of beef and veal production. Various support measures are adopted by meat-supplying countries to hold their share of the market.

Canadian Fats and Oils.--Canada annually buys about 8 million bushels of U. S. soybeans, making her our fourth largest customer, and about 60 million pounds of U. S. soybean and cottonseed oils. At the same time, Canadian flaxseed competes with ours in world markets. U. S. edible oils compete in Canada with domestically produced oils and with Commonwealth produced oils. Soybeans are duty-free regardless of their source. Although Canadian production of soybeans is increasing gradually, her rising population and expanding economy probably will require imports of edible oils and oilseeds at least as large as at present.

Canadian production of flaxseed has tripled in the past two years, resulting in a large exportable supply. Prices, which are not supported, have been favorable in relation to wheat, with which flaxseed competes for land. Also, until the 1956 crop there were no delivery quotas on flaxseed as on wheat, barley and oats. The quotas on flaxseed are not impeding the movement of the crop. Production in the next several years is not likely to be as high as in 1956 because flaxseed prices probably will not be as exceptionally favorable as they were in 1955-56. However, Canada still will produce a big exportable surplus.

Competitive Position of the Yugoslav Dried-Prune Industry.--The production of dried prunes in Yugoslavia (our major competitor) faces increasingly serious difficulties. Overall production of fresh prunes is not expected to increase further and may likely decline. Yugoslav prunes are competitive on a price but not quality basis. The resumption of trade relations with the Soviet Bloc and renewal of prune exports to the Soviet countries can result in a decrease of Yugoslav prune shipments to the traditional United States markets in Western Europe.

Survey of Mexican Winter Vegetable Production.--The production of vegetables other than melons is likely to decline because of the high marketing costs and production hazards. Melon production will depend on the extent of the U. S. demand for high-priced melons. There is keen competition from U. S. producing areas for all vegetables, except cantaloupes and honeydews, which are marketed to a large extent prior to the beginning of the U. S. season.

The European Walnut and Filbert Industries.--The U. S. tree nut industry faces increasing competition from edible tree nuts in the Mediterranean area because of the likelihood of production expanding there. The European product is competitive on a price and quality basis. Despite backward production and processing, the European industries are able to compete because of the low wage rates in these high-labor-input industries.

The Citrus Industries of Southern Africa.--The Union of South Africa has rapidly expanded citrus acreage since 1949. Plantings have increased from about 37,000 acres in 1950 to about 57,500 acres in 1955. The new acreage will result in rapidly increasing production of oranges in the next five years. The production of lemons and grapefruit will also increase but, by comparison, will still be minor crops.

South Africa increased citrus acreage after the first world war only to experience a collapse of export prices from 1935 to 1939, resulting 30 percent of the plantings being abandoned. It remains to be seen if this previous experience will be repeated.

In any event, the growing South African orange production will mean increasing competition for California summer oranges in western European markets.

Status of Quantitative Import Control over Selected U. S. Agricultural Exports - 16 European Countries.--A list of quantitative import controls in 16

European countries affecting agricultural products from the U. S. shows the progress that some countries have made in freeing imports from exchange restrictions. It also shows, however, continuance in most countries of severe import restrictions, on products imported from the U. S., through licensing or more direct government monopoly control.

Like the study of agricultural policies in West European countries, this comprehensive listing points to the need for so-called "policy aids" that the U. S. Government must continue to give to our farm exports to put them in a position to compete for West European markets. At the same time the list indicates in detail the individual commodity items that have either been liberalized for dollar trade or continue to be restricted, one way or the other, and that should, therefore, be singled out for special policy attention.

Agricultural Policies in Western Europe.--Western Europe maintains a striking degree of government protection and regimentation of agriculture. World trade cannot be achieved without positive government action in most countries. Therefore, U. S. Government "policy aids" will continue to be important in the effort to widen the opportunities for American agriculture to compete for West European markets. It is also evident that, in the future, American farm products will face keener competition from European farm products, partly because of increasing productivity in West European agriculture and partly because of greater intra-area cooperation. As a result, the purely commercial factors of price, quality, and "commercial convenience" will become ever more important in determining the chances of American farm products in West European markets.

Finally, the basic and hard-core character of most agricultural and trade problems in Western Europe limits the prospects of substantial modification of national agricultural policies in favor of freer international trade, unless there is modification of the underlying determinants of these policies.

General U. S. trade policy, our policy for economic assistance and for economic development, and our influence for international tranquility will continue to have an important bearing on the size of American agriculture's markets in Europe.

Competition in Mexican Agriculture.--A recent on-the-spot study reveals that Mexico has had spectacular increases in cotton and wheat production, particularly in the north and west on newly irrigated land. Provision of water is the primary stimulus to production expansion, but new wheat varieties have permitted larger yields per acre. Mexico probably will continue its active competition in third markets for cotton exports and will supply the domestic market for wheat that formerly was imported from the U. S.

Output of sugar and rice is increasing in the Popaloapan Basin (comprising parts of the States of Veracruz, Puebla, and Oaxaca). If this trend continues, Mexico will add to the surplus already existing in the world sugar market and furnish competition with the U. S. for rice exports to foreign markets.

Presently the U. S. imports from Mexico tomatoes, frozen strawberries, peanuts, beef and other products that compete with domestic production in some areas. Over the short run, however, there is little likelihood that competition from these imports will be intensified.

Agricultural Developments in South Asia.--Each of the five South Asian countries (India, Pakistan, Afghanistan, Ceylon, and Nepal), has underway a comprehensive plan of development.

Agriculture (including land reclamation and irrigation) is a major element in each of these plans, and very substantial production increases are planned for farm commodities in which the U. S. has a vital export interest. Developments in India and Pakistan are by far the largest and most important from the standpoint of size of programs, proposed increases in production, and probable increased competition with U. S. products in South Asian and other foreign markets.

India's second Five Year Plan (April 1956-March 1961), calls for production increases for foodgrains of 15 percent; cotton, 31 percent; sugar, 22 percent; oilseeds, 27 percent; tea, 9 percent; and jute, 25 percent. It appears that most of these increases will be achieved and perhaps exceeded. This is expected to result in a marked decline in India's import needs, particularly for cotton and sugar. Larger supplies available for export may be expected for vegetable oils, cotton, jute goods, and a number of other complementary products such as tea and spices.

Pakistan's first Five Year Plan (April 1955-March 1960), calls for production increases for cotton of 38 percent; jute, 15 percent; foodgrains, 13 percent; oilseeds, 29 percent; pulses, 10 percent; fruits, 14 percent; vegetables, 23 percent; tea, 15 percent; and tobacco, 16 percent. At this time it appears unlikely that all targets will be attained within the Plan period. Nevertheless, substantial gains are expected for most farm products. An important fact is that cotton and jute account for the bulk of Pakistan's foreign exchange earnings. It appears that all practicable measures will be taken to retain and increase export sales of these commodities so important to the economic stability of Pakistan.

The Japanese Market for Agricultural Products.--The U. S. continues as the largest single supplier of agricultural products in the growing Japanese market but is meeting increasing competition from other foreign suppliers.

Mexico and Brazil have expanded sales of cotton at the expense of the U. S. Communist China has recently come into the market with rice and soybeans. Canada, Australia, and Argentina have increased their sales of wheat while U. S. sales have remained steady. Australia looms larger in the barley market. To share in the expanding Japanese market, or even to maintain our present position, U. S. commodities must be competitive in both price and quality.

